To be commanders

Lemuel E. Lindsay.
Augustine W. Rieger.

To be lieutenant commanders

John J. Twomey.
Samuel B. Brewer.
Franklin S. Irby.

To be lieutenant (junior grade)

George W. Allen.

To be passed assistant surgeon

Walter F. J. Karbach.

To be passed assistant dental surgeon

Gunnar N. Wennerberg.

MARINE CORPS

To be first lieutenant

Richard J. Godin.

To be second lieutenant

George O. Van Orden.

To be chief quartermaster clerk

Claude T. Lytle.

POSTMASTERS

ARIZONA

Walter W. Jett, Chandler.

MARYLAND

Charles H. Johnson, Edgewood.
Stella B. Johnson, Fort Hoyle.
Hattie B. H. Moore, Marydel.
Charles R. Wilhelm, Monkton.
Webster Ravenscroft, Oakland.
Napoleon T. Nelson, Trappe.
Lafayette Ruark, Westover.
Addie D. Rayne, Willards.

WEST VIRGINIA

Clarence F. Tomlinson, Edwight.
J. D. Fultz, Everettville.

HOUSE OF REPRESENTATIVES

WEDNESDAY, *February 29, 1928*

The House met at 12 o'clock noon and was called to order by the Speaker.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Most merciful and all-wise Father, Thou hast made waiting beautiful and patience sweet. Thy holy Spirit is like an invisible bridge that unites us in our hopes and dreams. Thou dost give us the zest of soul that sorrow can not keep down and the cheer that burdens can not crush. Renew to-day the sunshine of our hearts and the childhood of our spirits. O God, humanity is all about us teeming through the arteries of the Republic. Many there are with stained garments and heavy hearts; they are struggling for mere existence through a veiled cloud. Stay Thou the threatening signs of social, moral, and political plague. The mission of Jesus of Nazareth is indispensable. He holds for all weary souls and bodies the remedy for our national ills. Oh, may the holy arms that were once stretched on the cross be loosened more and more to clasp the whole human family in one embrace. Then there shall be no more classes, but there shall be just men—the crowning gifts of God's creation. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.

ORDER OF BUSINESS

Mr. TILSON. Mr. Speaker, I wish to say a word as to the program for to-day. The Committee on Coinage, Weights, and Measures, I understand, has the next call on Calendar Wednesday. I ask unanimous consent that upon the completion of the business presented by this committee for the remainder of the day Calendar Wednesday business may be dispensed with, so that the agricultural appropriation bill may be taken up and proceeded with.

The SPEAKER. The gentleman from Connecticut asks unanimous consent that on the completion of the consideration of the business presented by the Committee on Coinage, Weights, and Measures the business in order for Calendar Wednesday for the remainder of the day be dispensed with. Is there objection?

Mr. GARRETT of Tennessee. Mr. Speaker, reserving the right to object—and I shall not object—to the request of the gentleman from Connecticut, I think the session has reached a stage now where it is not improper to direct attention to the fact that it seems as if matters were being permitted to drift in such a way as necessarily to throw upon the Committee on Rules of the House responsibilities that it ought not to have to assume, by committees failing to take advantage of Calendar Wednesday to call up the business which they might call up at that time; and then as the session becomes more and more congested and pressure will be exerted for the consideration of this or that piece of legislation, each bit of it being in the minds of those interested the most important thing that Congress can do.

We shall have the pressure and the propaganda and letters and telegrams pouring in on the Committee on Rules to bring in special orders making in order the legislation that may be desired. The Committee on Rules will be "made the goat" by reason of the negligence of some of these committees in failing to avail of Calendar Wednesday to call up their business, which they may do under the general rules of the House.

Mr. TILSON. There is a special reason that applies to-day that is out of the ordinary. The Committee on Banking and Currency is now on call, but has no other business to take up. The next committee to be reached is the Committee on Coinage, Weights, and Measures. This committee has two bills. It may take all day to-day to consider them, and if so they are entitled to it. I am informed by the chairman of the committee, however, that the committee will probably not take all the time. Another committee would not wish to come in for a part of a day and have an entire day charged up to it. Therefore, under the circumstances, I think it would not be inappropriate to agree now to dispense with Calendar Wednesday business after the completion of the business brought forward by the Committee on Coinage, Weights, and Measures.

Mr. GARRETT of Tennessee. Further reserving the right to object, Mr. Speaker, as is very well known, the general policy of the minority has been and is not to try to interfere with the rights and responsibilities of the majority to fix the program of business. The majority can do that in any event, and it may as well be done pleasantly instead of forcing various parliamentary procedures; and what I suggested a moment ago is not intended by way of criticism of the majority leader in now asking for this action. But it does seem that upon matters of a nonpartisan nature, matters on which there will be no partisan division whatever, if advantage be taken of Calendar Wednesday, which was expressly adopted, as those of us who were here at the time it was adopted will recall, so as to insure to committees an opportunity for the consideration of their legislation, it would relieve the Committee on Rules of the necessity of coming in with special rules in congested times. It does seem proper to me to state this at this time, and really I do it for the purpose of calling it to the attention, not so much that of the majority leader, who knows the situation, but of the chairmen of these committees that have legislation which they want to get in, and to suggest that they ought to be ready to take advantage of Calendar Wednesday, and not come in later and unload responsibility on the Committee on Rules, which it ought not to have to bear.

Mr. GARNER of Texas. Mr. Speaker, will the gentleman yield?

Mr. GARRETT of Tennessee. Certainly.

Mr. GARNER of Texas. After all, if one of these committees came to the Committee on Rules for a rule providing for legislation which they neglected to bring in by reason of failure to avail of the right they would have on Calendar Wednesday, would not the Committee on Rules be justified in saying, "You did not take advantage of the opportunity that was given you"?

Mr. GARRETT of Tennessee. Absolutely. When I speak of the Committee on Rules considering business, of course I refer to the majority, because that is one particular committee where it is the majority that does business. The Committee on Rules would be absolutely justified, in my opinion, in taking that attitude, that is justified as between the Committee on Rules and the legislative committee, but then there is a forced responsibility to the public, which the Rules Committee should not be made to assume.

Mr. GARNER of Texas. Mr. Speaker, it is the duty of the chairman of those various committees to object to the setting aside of Calendar Wednesday when the majority leader takes the responsibility of asking that it be done, so it is the majority leader and the chairmen of the various committees who are responsible for not having the benefit of Calendar Wednesday.

Mr. TILSON. I will say that my request is in entire accord with the wishes of the several chairmen who are most directly interested.

Mr. LINTHICUM. Mr. Speaker, reserving the right to object, I wish to say to the gentleman from Connecticut that for the past three Wednesdays I have been here expecting that several bills on the calendar, reported by the Committee on Foreign Affairs, would come up, but on each of those days the consideration of those bills has been postponed. There is one particular bill in which I am interested, and the people are waiting for an answer in order to carry out certain work which has to be done. I certainly trust the gentleman from Connecticut will not ask to do away with any further Calendar Wednesdays. If he does I shall have to object. Whether that will accomplish anything or not, I do not know, but I shall endeavor to prevent all postponements after this.

The SPEAKER. Is there objection to the request of the gentleman from Connecticut?

There was no objection.

PERMISSION TO ADDRESS THE HOUSE

Mr. CRAMTON. Mr. Speaker, I ask unanimous consent to be allowed to proceed for 10 minutes.

The SPEAKER. The gentleman from Michigan asks unanimous consent to proceed for 10 minutes. Is there objection?

There was no objection.

Mr. LINTHICUM. Mr. Speaker, will the gentleman yield for just a moment?

Mr. CRAMTON. I yield.

Mr. LINTHICUM. Mr. Speaker, I ask unanimous consent that my colleague from New York [Mr. SIROVICH] be allowed to speak for 30 minutes immediately after the reading of the Journal and disposition of business on the Speaker's desk on Friday of this week.

The SPEAKER. The gentleman from Maryland asks unanimous consent that the gentleman from New York [Mr. SIROVICH] be permitted to address the House for 30 minutes, after the reading of the Journal and the disposition of business on the Speaker's table, on Friday next. Is there objection?

Mr. SNELL. Mr. Speaker, reserving the right to object, we have the agricultural appropriation bill coming on, and there will be several hours of general debate, during which the gentleman from New York could no doubt get the time he desires.

Mr. TILSON. Mr. Speaker, the agricultural appropriation bill is to be taken up after the disposition of Calendar Wednesday business, and there will be plenty of time allowed for general debate, and I hope that gentlemen, so far as possible, will take advantage of the general debate on the appropriation bill, rather than ask for permission to address the House.

Mr. LINTHICUM. My colleague has certain data which he wishes to gather, and he would like to have a specific time set aside for him. I have not made many requests of this kind of the House, and I am sure the gentleman from New York has not made such a request before.

Mr. SNELL. We want to accommodate the gentleman from New York and everybody else, but we would rather have the gentleman take his time during the general debate on the appropriation bill.

Mr. LINTHICUM. There will no doubt be general debate on that bill on Friday, so it would be six of one and a half dozen of the other. I hope the gentleman will not object.

The SPEAKER. Is there objection?

There was no objection.

SENATE BILL REFERRED

A bill of the following title was taken from the Speaker's table and, under the rule, referred to the appropriate committee, as follows:

S. 2800. An act authorizing E. K. Morse, his successors and assigns (or his or their heirs, legal representatives, and assigns), to construct, maintain, and operate a bridge across the Delaware River at or near Burlington, N. J.; to the Committee on Interstate and Foreign Commerce.

BILLS PRESENTED TO THE PRESIDENT

Mr. CAMPBELL, from the Committee on Enrolled Bills, reported that this day they presented to the President of the United States for his approval bills of the House of the following titles:

H. R. 48. An act to erect a tablet or marker to the memory of the Federal soldiers who were killed at the Battle of Perryville, and for other purposes;

H. R. 83. An act to approve Act No. 24 of the Session Laws of 1927 of the Territory of Hawaii, entitled "An act to authorize and provide for the manufacture, maintenance, distribution, and supply of electric current for light and power within Hanapepe, in the district of Waimea, island and county of Kauai";

H. R. 482. An act to provide relief for the victims of the airplane accident at Langin Field, Moundsville, W. Va.;

H. R. 3144. An act for the relief of Augustus C. Turner;

H. R. 5925. An act for the relief of the Fidelity & Deposit Co. of Maryland;

H. R. 8281. An act to provide for the withdrawal of certain described lands in the State of Nevada for the use and benefit of the Indians of the Walker River Reservation;

H. R. 8282. An act to provide for the permanent withdrawal of certain lands bordering on and adjacent to Summit Lake, Nev., for the Paiute, Shoshone, and other Indians;

H. R. 8291. An act to amend section 1 of the act of June 25, 1910 (36 Stat. L. 855), "An act to provide for determining the heirs of deceased Indians, for the disposition and sale of allotments of deceased Indians, for the leasing of allotments, and for other purposes";

H. R. 8292. An act to reserve 120 acres on the public domain for the use and benefit of the Koosharem Band of Indians residing in the vicinity of Koosharem, Utah;

H. R. 8527. An act for the relief of the International Petroleum Co. (Ltd.), of Toronto, Canada;

H. R. 9037. An act to provide for the permanent withdrawal of certain lands in Inyo County, Calif., for Indian use; and

H. R. 9994. An act to reimburse certain Indians of the Fort Belknap Reservation, Mont., for part of full value of an allotment of land to which they were individually entitled.

ORDER OF BUSINESS

Mr. GREEN of Iowa. Will the gentleman from Michigan yield to me in order that I may propound a parliamentary inquiry?

Mr. CRAMTON. Yes.

Mr. GREEN of Iowa. Mr. Speaker, I desire, if possible, to call up the conference report on the alien property bill to-day and as early as possible. Will that be in order?

The SPEAKER. The Chair does not think that will be in order on Calendar Wednesday except by unanimous consent.

Mr. GREEN of Iowa. Then, Mr. Speaker, I ask unanimous consent that immediately after the conclusion of the remarks of the gentleman from Michigan I may be permitted to submit the conference report on the alien property bill.

Mr. GARRETT of Tennessee. Mr. Speaker, under the agreement which has been made, would it not be in order to do that after the completion of such business as may be presented to-day by the Committee on Coinage, Weights, and Measures, because the gentleman from Connecticut has secured unanimous consent to dispense with further Calendar Wednesday business after the Committee on Coinage, Weights, and Measures has completed its business?

The SPEAKER. It would be in order after that.

Mr. GREEN of Iowa. Mr. Speaker, I was trying to get in ahead of that.

Mr. GARNER of Texas. Mr. Speaker, reserving the right to object, I certainly have no objection to this conference report coming up at any time, but I understand that the gentleman from Illinois, the chairman of the Appropriations Committee, has an emergency resolution which he would like to call up by unanimous consent. It would not take five minutes to dispose of it, and Texas happens to be intensely interested in that resolution. If the gentleman from Iowa is going to get unanimous consent to call up this conference report, I would like the gentleman from Illinois to ask unanimous consent that he be permitted to call up his resolution immediately after the conclusion of the address of the gentleman from Michigan.

Mr. MADDEN. Mr. Speaker, I make that request.

The SPEAKER. The gentleman from Iowa asks unanimous consent that at the conclusion of the address of the gentleman from Michigan he may be permitted to call up the conference report on the alien property bill, and following that the gentleman from Illinois asks unanimous consent that he may present a resolution.

Mr. MADDEN. For which I will ask immediate consideration.

The SPEAKER. For which he will ask immediate consideration. Is there objection?

Mr. MADDEN. It might be well to have the House know what the resolution is. The committee is recommending $687,800 in the agricultural appropriation bill for next year for the destruction or control of the pink boll weevil. There is a very great emergency in Texas and some of the Southwest States in connection with this pest, and they must act at once. The committee is asking for the passage of a joint resolution that will make $200,000 of the $687,000 available for immediate use,

and then when that item is reached in the bill deduct the $200,000 from the amount carried in the item.

The SPEAKER. Is there objection?

There was no objection.

HON. HERBERT HOOVER

The SPEAKER. The gentleman from Michigan [Mr. CRAMTON] is recognized for 10 minutes.

Mr. CRAMTON. Mr. Speaker and gentlemen of the House, a very interesting address was given to the House yesterday by my friend, the gentleman from Arkansas [Mr. TILLMAN]. I was so unfortunate as not to be here at the time of the address, but I have read it with interest. I noted one statement therein in which the gentleman from Arkansas, one of the most influential members of the Democratic minority in this House, says:

Mr. Speaker, I beg to say that I do not consider it a dignified proceeding for an aspirant to a party presidential nomination to abandon his duties and go on the stump to present his claims.

This statement, of course, could only apply to one of the most prominent candidates for the Democratic nomination, JAMES A. REED, and I shall not take my time to enter into a defense of that prominent Democrat as against another prominent Democrat.

Mr. DYER. Will the gentleman yield?

Mr. CRAMTON. I am sorry I can not yield until I make sure I can say what I have to say. I will then be glad to yield to anyone.

Another statement of the gentleman from Arkansas is this, which is the real text of my remarks:

So I have been disappointed in the attitude of my friend from Michigan, my white-plumed leader among the drys.

I have never claimed any leadership or assumed any. I was not aware that I exercised any. On matters pertaining to the eighteenth amendment and its enforcement it has given me pleasure to contribute anything I could to promote its enforcement through the course of legislation here, and in that I have always found myself side by side with the gentleman from Arkansas [Mr. TILLMAN]; but in yesterday's address I find registered here before the Nation the disappointment of my colleague in that cause; disappointment based upon the fact that he alleges I do not support the one candidate for the Republican nomination that he thinks I ought to support, Senator WILLIS, whom I guarantee under no circumstances would he support. He is disappointed that I seem to incline to the candidacy of Mr. Hoover instead of that of Senator WILLIS. I will say to the gentleman from Arkansas that I, as a Republican and a dry, am in this very fortunate and happy position, which I am sure he must envy me, in that I can view with equanimity the contest for the Republican nomination, because as a consistent dry I can support, I am sure, after his nomination, any candidate now prominent for the Republican nomination. [Applause.]

What the gentleman views as to the Democratic situation I leave for him to contemplate, and I understand why he discusses the Republican contest instead of the Democratic. [Laughter.]

I will extend my remarks to the extent of putting in the statement of Secretary Hoover, which the gentleman from Arkansas has referred to, his reply to the inquiry from Senator BORAH, and which reads as follows:

I feel that the discussion of public questions by reply to questionnaires is likely to be unsatisfactory and ofttimes leads to confusion rather than clarity. Replies to the scores of such inquiries on many questions are impossible.

Out of regard for your known sincerity and your interest in the essential question I will, however, say again that I do not favor the repeal of the eighteenth amendment. I stand, of course, for the efficient, vigorous, and sincere enforcement of the laws enacted thereunder. Whoever is chosen President has under his oath the solemn duty to pursue this course.

Our country has deliberately undertaken a great social and economic experiment, noble in motive and far-reaching in purpose. It must be worked out constructively.

I was prepared to support Secretary Hoover for the nomination without any statement, because a man's character and record are better than campaign statements. [Applause.] And now that the statement has come, I am glad to read it in connection with my knowledge of the man, and his record, and his career, and his character. Himself a total abstainer, officially and personally always giving the weight of his great influence to the enforcement of the law, himself a great executive and a great organizer, I knew without any such statement that he would stand for the eighteenth amendment and its enforcement.

In this statement, which the gentleman from Arkansas belittles and seeks to ridicule, Secretary Hoover says:

Our country has deliberately undertaken a great social and economic experiment, noble in motive and far-reaching in purpose. It must be worked out constructively.

Herbert Hoover, as a great engineer and a great executive, when he uses the word "constructively" means its promotion and its advancement and its development. [Applause.]

If almost any prominent Democratic candidate for the nomination had used this language we would think he had misspoken himself and said "constructively" when he meant "destructively," but with Herbert Hoover he only used the word he meant to use.

Why, I am wondering! The gentleman expresses his disappointment that I am supporting a man that it is now understood, though not a resident of that State, and although he never had a residence in that State, is so strong in that great industrial and agricultural State that no other Republican will contest against him in the primaries; that he will be given the delegation from Michigan by unanimous consent; and so strong in the country that he is now so far out in the lead for the Republican nomination that the Democrats are commencing to shoot at him.

The gentleman expresses wonder that I give my support to him with his record and his declaration against repeal of the eighteenth amendment. I am wondering about the peculiar trouble of my friend from Arkansas, a trouble characteristic of our southern dry Democrats. I say that any prominent Republican candidate for the Presidency, if nominated, I could support whole-heartedly and with enthusiasm, as a dry. Hoover, WILLIS, CURTIS, DAWES, any of them, I could give my support to; but when the Democratic roll is called next November and my good friend from Arkansas, whom I esteem so highly and whom I know as a sincere and active dry—when the roll is called and my friend from Arkansas next November is asked to step up and put his ballot in the box for FRANK WILLIS as the Republican candidate or Al Smith or JIM REED or Governor Ritchie as the Democratic candidate, I wonder if my friend will go to the polls at all to vote. [Laughter and applause.] Certainly, he would not dare tell this House how he would vote in that kind of a dilemma.

Mr. SPEAKS. Will the gentleman from Michigan yield?

Mr. CRAMTON. If I have the time.

Mr. SPEAKS. I want to inquire whether the gentleman from Michigan considers the eighteenth amendment and the Volstead law as mere experimental undertakings subject to doubts as to their permanency?

Mr. CRAMTON. I would not use the word "mere." I have repeatedly referred to it as the great American experiment. [Applause.] Something the world has been wanting done but no other nation has ever been able to do it. We are trying to do it and we are going to make a success of it.

Mr. SPEAKS. Will the gentleman yield for another question? I want to say to the gentleman from Michigan that he has an entirely different conception——

Mr. CRAMTON. I am yielding only for a question, and I can not yield for a speech.

Mr. SPEAKS. Then I will ask the gentleman a question. Does the gentleman understand that the eighteenth amendment and the Volstead law instead of being a mere experiment represents the well-matured judgment and conclusions on the prohibition question by the people of the United States following a century of discussion and effort to attain the desired end and that the term "experiment" is no longer applicable to the subject?

Mr. CRAMTON. I know this: That the well-matured judgment of Ohio when they first adopted prohibition in 1918, statewide, then gave only a small majority if I remember right, something like 25,000. After that experience with it for several years a vote was taken in 1922 to permit the sale of beer and wine. That was rejected by a majority several times as large as the first one, 189,000, and only 7 counties in all, out of 88 in that State, gave any wet majority whatever.

Mr. SPEAKS. In order that the House may understand——

The SPEAKER. The time of the gentleman from Michigan has expired.

CONFERENCE REPORT ON ALIEN PROPERTY BILL

Mr. GREEN of Iowa. Mr. Speaker, pursuant to the unanimous request heretofore granted, I call up the conference report on the bill H. R. 7201, the alien property bill, and I ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. The gentleman from Iowa asks unanimous consent that the statement be read in lieu of the report. Is there objection?

There was no objection.

Mr. GREEN of Iowa. Pending that, Mr. Speaker, I ask unanimous consent to address the House for five minutes on the general subject before the statement is read.

The SPEAKER. Is there objection to the request of the gentleman from Iowa?

There was no objection.

Mr. GREEN of Iowa. Mr. Speaker and gentlemen of the House, I think Members of the House, regardless of whether they would have written this report and the bill in exactly the form presented, will agree with me in experiencing a sense of relief at the disposition of one of the most perplexing and difficult problems that has ever been presented to Congress by the agreement on the alien property bill.

The main features, in fact all the basic features of the original House bill have been preserved in the bill now presented to you as a result of the conference report. While it has been changed in many details, there is not a change in any essential feature of the bill reported by the House committee.

As soon as the bill gets in operation the Germans are to receive 80 per cent and the Americans 80 per cent of their claims. The American claims that do not exceed $100,000 and all death claims are to be paid at once. The American claims are to be paid in six years and the balance of the German claims will be made in payments through a period of about 25 years.

There are two principal changes made by the conference report, and I ask your attention to the reading of the statement, as it is much shorter than the report.

In the first place, the Senate strikes out the statement of policy that was in the House bill. I regretted to see this done, but it seemed impossible to get an agreement otherwise, and it has nothing to do with the features of the bill itself.

The next most important change was the fact that provision is made in the bill to take care of the Austrian and Hungarian claims. Provision is made for the settlement of American claims against these nations, and requirement is made that the Austrian Government shall deposit the money to take care of these claims before any money is paid out on the Austrian-Hungarian claims. The reason it was not put in the House bill was because the State Department was conducting negotiations with the Austrian and Hungarian Governments in order to establish a satisfactory basis upon which they could get into an arrangement with them.

The other matters are matters of detail. There is a provision with reference to special claims which has been modified by the conference committee, and requires that the German claimants shall show at the time the ships were taken that neither the German Emperor nor any of the ruling family—kings of divisions of the Empire—had any interest in those ships at the time they were taken. If so, then the provision is made that their interests is to be deducted.

With this preliminary statement I ask that the statement of the conferees be read.

The SPEAKER. The Clerk will read the statement.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 7201) to provide for the settlement of certain claims of American nationals against Germany and of German nationals against the United States, for the ultimate return of all property of German nationals held by the Alien Property Custodian, and for the equitable apportionment among all claimants of certain available funds, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"That this act may be cited as the 'settlement of war claims act of 1928.'

CLAIMS OF NATIONALS OF THE UNITED STATES AGAINST GERMANY

"SEC. 2 (a) The Secretary of State shall, from time to time, certify to the Secretary of the Treasury the awards of the Mixed Claims Commission, United States and Germany, established in pursuance of the agreement of August 10, 1922, between the United States and Germany (referred to in this act as the 'Mixed Claims Commission').

"(b) The Secretary of the Treasury is authorized and directed to pay an amount equal to the principal of each award so certified, plus the interest thereon, in accordance with the award, accruing before January 1, 1928.

"(c) The Secretary of the Treasury is authorized and directed to pay annually (as nearly as may be) simple interest, at the rate of 5 per cent per annum, upon the amounts payable under subsection (b) and remaining unpaid, beginning January 1, 1928, until paid.

"(d) The payments authorized by subsection (b) or (c) shall be made in accordance with such regulations as the Secretary of the Treasury may prescribe, but only out of the German special deposit account created by section 4, within the limitations hereinafter prescribed, and in the order of priority provided in subsection (c) of section 4.

"(e) There shall be deducted from the amount of each payment, as reimbursement for the expenses incurred by the United States in respect thereof, an amount equal to one-half of 1 per cent thereof. The amount so deducted shall be deposited in the Treasury as miscellaneous receipts. In computing the amounts payable under subsection (c) of section 4 (establishing the priority of payments) the fact that such deduction is required to be made from the payment when computed or that such deduction has been made from prior payments, shall be disregarded.

"(f) The amounts awarded to the United States in respect of claims of the United States on its own behalf shall not be payable under this section.

"(g) No payment shall be made under this section unless application therefor is made, within two years after the date of the enactment of this act, in accordance with such regulations as the Secretary of the Treasury may prescribe. Payment shall be made only to the person on behalf of whom the award was made, except that—

"(1) If such person is deceased or is under a legal disability, payment shall be made to his legal representative, except that if the payment is not over $500 it may be made to the persons found by the Secretary of the Treasury to be entitled thereto, without the necessity of compliance with the requirements of law in respect of the administration of estates;

"(2) In the case of a partnership, association, or corporation, the existence of which has been terminated, payment shall be made, except as provided in paragraphs (3) and (4), to the persons found by the Secretary of the Treasury to be entitled thereto;

"(3) If a receiver or trustee for the person on behalf of whom the award was made has been duly appointed by a court in the United States and has not been discharged prior to the date of payment, payment shall be made to the receiver or trustee or in accordance with the order of the court; and

"(4) In the case of an assignment of an award, or an assignment (prior to the making of the award) of the claim in respect of which the award was made, by a receiver or trustee for any such person, duly appointed by a court in the United States, such payment shall be made to the assignee.

"(h) Nothing in this section shall be construed as the assumption of a liability by the United States for the payment of the awards of the Mixed Claims Commission, nor shall any payment under this section be construed as the satisfaction, in whole or in part, of any of such awards, or as extinguishing or diminishing the liability of Germany for the satisfaction in full of such awards, but shall be considered only as an advance by the United States until all the payments from Germany in satisfaction of the awards have been received. Upon any payment under this section of an amount in respect of an award, the rights in respect of the award and of the claim in respect of which the award was made shall be held to have been assigned pro tanto to the United States, to be enforced by and on behalf of the United States against Germany, in the same manner and to the same extent as such rights would be enforced on behalf of the American national.

"(i) Any person who makes application for payment under this section shall be held to have consented to all the provisions of this act.

"(j) The President is requested to enter into an agreement with the German Government by which the Mixed Claims Commission will be given jurisdiction of and authorized to decide claims of the same character as those of which the commission now has jurisdiction, notice of which is filed with the Department of State before July 1, 1928. If such agreement is entered into before January 1, 1929, awards in respect of such claims shall be certified under subsection (a) and shall be in all other respects subject to the provisions of this section.

CLAIMS OF GERMAN NATIONALS AGAINST UNITED STATES

"SEC. 3. (a) There shall be a war claims arbiter (hereinafter referred to as the "arbiter") who shall be appointed by

the President, by and with the advice and consent of the Senate, without regard to any provision of law prohibiting the holding of more than one office. The arbiter, notwithstanding any other provision of law, shall receive a salary to be fixed by the President in an amount, if any, which if added to any other salary will make his total salary from the United States not in excess of $15,000 a year.

"(b) It shall be the duty of the arbiter, within the limitations hereinafter prescribed, to hear the claims of any German national (as hereinafter defined), and to determine the fair compensation to be paid by the United States, in respect of—

"(1) Any merchant vessel (including any equipment, appurtenances and property contained therein), title to which was taken by or on behalf of the United States under the authority of the joint resolution of May 12, 1917 (40 Stat. 75). Such compensation shall be the fair value, as nearly as may be determined, of such vessel to the owner immediately prior to the time exclusive possession was taken under the authority of such joint resolution, and in its condition at such time, taking into consideration the fact that such owner could not use or permit the use of such vessel, or charter or sell or otherwise dispose of such vessel for use or delivery, prior to the termination of the war, and that the war was not terminated until July 2, 1921, except that there shall be deducted from such value any consideration paid for such vessel by the United States. The findings of the board of survey appointed under the authority of such joint resolution shall be competent evidence in any proceeding before the arbiter to determine the amount of such compensation.

"(2) Any radio station (including any equipment, appurtenances, and property contained therein) which was sold to the United States by or under the direction of the Alien Property Custodian under authority of the trading with the enemy act, or any amendment thereto. Such compensation shall be the fair value, as nearly as may be determined, which such radio station would have had on July 2, 1921, if returned to the owner on such date in the same condition as on the date on which it was seized by or on behalf of the United States, or on which it was conveyed or delivered to, or seized by, the Alien Property Custodian, whichever date is earlier, except that there shall be deducted from such value any consideration paid for such radio station by the United States.

"(3) Any patent (or any right therein or claim thereto, and including an application therefor and any patent issued pursuant to any such application) which was licensed, assigned, or sold by the Alien Property Custodian to the United States. Such compensation shall be the amount, as nearly as may be determined, which would have been paid if such patent, right, claim, or application had been licensed, assigned, or sold to the United States by a citizen of the United States, except that there shall be deducted from such amount any consideration paid therefor by the United States (other than consideration which is returned to the United States under section 27 of the trading with the enemy act, as amended).

"(4) The use by or for the United States of any invention described in and covered by any patent (including an application therefor and any patent issued pursuant to any such application) which was conveyed, transferred, or assigned to, or seized by, the Alien Property Custodian, but not including any use during any period between April 6, 1917, and November 11, 1918, both dates inclusive, or on or after the date on which such patent was licensed, assigned, or sold by the Alien Property Custodian. In determining such compensation, any defense, general or special, available to a defendant in an action for infringement or in any suit in equity for relief against an alleged infringement, shall be available to the United States.

"(c) The proceedings of the arbiter under this section shall be conducted in accordance with such rules of procedure as he may prescribe. The arbiter, or any referee designated by him, is authorized to administer oaths, to hold hearings at such places within or without the United States as the arbiter deems necessary, and to contract for the reporting of such hearings. Any witness appearing for the United States before the arbiter or any such referee at any place within or without the United States may be paid the same fees and mileage as witnesses in courts of the United States. Such payments shall be made out of any funds in the German special deposit account hereinafter provided for, and may be made in advance.

"(d) The arbiter may, from time to time, and shall, upon the determination by him of the fair compensation in respect of all such vessels, radio stations, and patents, make a tentative award to each claimant of the fair compensation to be paid in respect of his claim, including simple interest, at the rate of 5 per cent per annum, on the amount of such compensation from July 2, 1921, to December 31, 1928, both dates inclusive. If a German national filing a claim in respect of any such vessel fails to establish to the satisfaction of the arbiter that neither the German Government nor any member of the former ruling family had, at the time of the taking, any interest in such vessel, either directly or indirectly, through stock ownership or control or otherwise, then (whether or not claim has been filed by or on behalf of such Government or individual) no award shall be made to such German national unless and until the extent of such interest of the German Government and of the members of the former ruling family has been determined by the arbiter. Upon such determination the arbiter shall make a tentative award in favor of such Government or individual in such amount as the arbiter determines to be in justice and equity representative of such interest, and reduce accordingly the amount available for tentative awards to German nationals filing claims in respect of the vessel so that the aggregate of the tentative awards (including awards on behalf of the German Government and members of the former ruling family) in respect of the vessel will be within the amount of fair compensation determined under subsection (b) of this section.

"(e) The total amount to be awarded under this section shall not exceed $100,000,000, minus the sum of (1) the expenditures in carrying out the provisions of this section (including a reasonable estimate for such expenditures to be incurred prior to the expiration of the term of office of the arbiter) and (2) the aggregate consideration paid by the United States in respect of the acquisition of such vessels and radio stations, and the use, license, assignment, and sale of such patents (other than consideration which is returned to the United States under section 27 of the trading with the enemy act, as amended).

"(f) If the aggregate amount of the tentative awards exceeds the amount which may be awarded under subsection (e), the arbiter shall reduce pro rata the amount of each tentative award. The arbiter shall enter an award of the amount to be paid each claimant, and thereupon shall certify such awards to the Secretary of the Treasury.

"(g) The Secretary of the Treasury is authorized and directed to pay the amount of the awards certified under subsection (f).

"(h) The Secretary of the Treasury is authorized and directed to pay annually (as nearly as may be) simple interest, at the rate of 5 per cent per annum, upon the amount of any such award remaining unpaid, beginning January 1, 1929, until paid.

"(i) The payments in respect of awards under this section shall be made in accordance with such regulations as the Secretary of the Treasury may prescribe, but only out of the German special deposit account created by section 4, within the limitations hereinafter prescribed, and in the order of priority provided in subsections (c) and (d) of section 4.

"(j) The Secretary of the Treasury shall not pay any amount in respect of any award made to or on behalf of the German Government or any member of the former ruling family, but the amount of any such award shall be credited upon the final payment due the United States from the German Government for the purpose of satisfying the awards of the Mixed Claims Commission.

"(k) No payment shall be made under this section unless application therefor is made, within two years after the date the award is certified, in accordance with such regulations as the Secretary of the Treasury may prescribe. Payment of any amount in respect of any award may be made, in the discretion of the Secretary of the Treasury, either in the United States or in Germany, and either in money of the United States or in lawful German money, and shall be made only to the person on behalf of whom the award was made, except that—

"(1) If such person is deceased or is under a legal disability, payment shall be made to his legal representative, except that if the payment is not over $500 it may be made to the persons found by the Secretary of the Treasury to be entitled thereto, without the necessity of compliance with the requirements of law in respect of the administration of estates;

"(2) In the case of a partnership, association, or corporation, the existence of which has been terminated, payment shall be made, except as provided in paragraphs (3) and (4), to the persons found by the Secretary of the Treasury to be entitled thereto;

"(3) If a receiver or trustee for the person on behalf of whom the award was made has been duly appointed by a court of competent jurisdiction and has not been discharged prior to the date of payment, payment shall be made to the receiver or trustee or in accordance with the order of the court; and

"(4) In the case of an assignment of an award, or of an assignment—prior to the making of the award—of the claim in respect of which such award was made, by a receiver or trustee for any such person, duly appointed by a court of competent jurisdiction, payment shall be made to the assignee.

"(l) The head of any executive department, independent establishment, or agency in the executive branch of the Government, including the Alien Property Custodian and the Comptroller General, shall, upon request of the arbiter, furnish such records, documents, papers, correspondence, and information in the possession of such department, independent establishment, or agency as may assist the arbiter, furnish them statements and assistance of the same character as is described in section 188 of the Revised Statutes, and may temporarily detail any officers or employees of such department, independent establishment, or agency to assist the arbiter, or to act as a referee, in carrying out the provisions of this section. The Attorney General shall assign such officers and employees of the Department of Justice as may be necessary to represent the United States in the proceedings under this section.

"(m) The arbiter, with the approval of the Secretary of the Treasury, is authorized to (1) appoint and fix the salaries of such officers, referees, and employees, without regard to the civil service laws and regulations or to the classification act of 1923, and (2) make such expenditures—including expenditures for the salary of the arbiter, rent, and personal services at the seat of government and elsewhere, law books, periodicals, books of reference, and printing and binding—as may be necessary for carrying out the provisions of this section and within the funds available therefor. Any officer or employee detailed or assigned under subsection (l) shall be entitled to receive—notwithstanding any provision of law to the contrary—such additional compensation as the arbiter, with the approval of the Secretary of the Treasury, may prescribe. The arbiter and officers and employees appointed, detailed, or assigned shall be entitled to receive their necessary traveling expenses and actual expenses incurred for subsistence—without regard to any limitations imposed by law—while away from the District of Columbia on business required by this section.

"(n) On the date on which the awards are certified to the Secretary of the Treasury under subsection (f) or the date on which the awards are certified to the Secretary of the Treasury under subsection (e) of section 6 (patent claims of Austrian and Hungarian nationals), whichever date is the later, the terms of office of the arbiter, and of the officers and employees appointed by the arbiter, shall expire, and the books, papers, records, correspondence, property, and equipment of the office shall be transferred to the Department of the Treasury.

"(o) No award or tentative award shall be made by the arbiter in respect of any claim if (1) such claim is filed after the expiration of four months from the date on which the arbiter takes office, or (2) any judgment or decree awarding compensation or damages in respect thereof has been rendered against the United States, and if such judgment or decree has become final (whether before or after the enactment of this act), or (3) any suit or proceeding against the United States, or any agency thereof, is commenced or is pending in respect thereof and is not dismissed upon motion of the person by or on behalf of whom it was commenced, made before the expiration of six months from the date on which the arbiter takes office and before any judgment or decree awarding compensation or damages becomes final.

"(p) There is hereby authorized to be appropriated, to be immediately available and to remain available until expended, the sum of $50,000,000, and, after the date on which the awards of the arbiter under this section are certified to the Secretary of the Treasury, such additional amounts as, when added to the amounts previously appropriated, will be equivalent to the aggregate amount of such awards plus the amounts necessary for the expenditures authorized by subsections (c) and (m) of this section (expenses of administration), except that the aggregate of such appropriations shall not exceed $100,000,000.

"(q) The provisions of this section shall constitute the exclusive method for the presentation and payment of claims arising out of any of the acts by or on behalf of the United States for which this section provides a remedy. Any person who files any claim or makes application for any payment under this section shall be held to have consented to all the provisions of this act. This subsection shall not bar the presentation of a claim under section 21 (relating to the claims of certain former German nationals in respect of the taking of the vessels *Carl Diederichsen* and *Johanne*); but no award shall be made under section 21 in respect of either of such vessels to or on behalf of any person to whom or on whose behalf an award is made under this section in respect of such vessel.

"(r) If the aggregate amount to be awarded in respect of any vessel, radio station, or patent is awarded in respect of two or more claims, such amount shall be apportioned among such claims by the arbiter as he determines to be just and equitable and as the interests of the claimants may appear.

"(s) The Secretary of the Treasury, upon the certification of any of the tentative awards made under subsection (d) of this section and the recommendation of the arbiter, may make such pro rata payments in respect of such tentative awards as he deems advisable, but the aggregate of such payments shall not exceed $25,000,000.

GERMAN SPECIAL DEPOSIT ACCOUNT

"SEC. 4. (a) There is hereby created in the Treasury a German special deposit account, into which shall be deposited all funds hereinafter specified and from which shall be disbursed all payments authorized by section 2 or 3, including the expenses of administration authorized under subsections (c) and (m) of section 3 and subsection (e) of this section.

"(b) The Secretary of the Treasury is authorized and directed to deposit in such special deposit account—

"(1) All sums invested or transferred by the Alien Property Custodian, under the provisions of section 25 of the trading with the enemy act, as amended;

"(2) The amounts appropriated under the authority of section 3 (relating to claims of German nationals); and

"(3) All money (including the proceeds of any property, rights, or benefits which may be sold or otherwise disposed of, upon such terms as he may prescribe) received, whether before or after the enactment of this act, by the United States in respect of claims of the United States agaisnt Germany on account of the awards of the Mixed Claims Commission.

"(c) The Secretary of the Treasury is authorized and directed, out of the funds in such special deposit account, subject to the provisions of subsection (d), and in the following order of priority—

"(1) To make the payments of expenses of administration authorized by subsections (c) and (m) of section 3 or subsection (e) of this section;

"(2) To make so much of each payment authorized by subsection (b) of section 2 (relating to awards of the Mixed Claims Commission), as is attributable to an award on account of death or personal injury, together with interest thereon as provided in subsection (c) of section 2;

"(3) To make each payment authorized by subsection (b) of section 2 (relating to awards of the Mixed Claims Commission), if the amount thereof is not payable under paragraph (2) of this subsection and does not exceed $100,000, and to pay interest thereon as provided in subsection (c) of section 2;

"(4) To pay the amount of $100,000 in respect of each payment authorized by subsection (b) of section 2 (relating to awards of the Mixed Claims Commission), if the amount of such authorized payment is in excess of $100,000 and is not payable in full under paragraph (2) of this subsection. No person shall be paid under this paragraph and paragraph (3) an amount in excess of $100,000 (exclusive of interest beginning January 1, 1928), irrespective of the number of awards made on behalf of such person;

"(5) To make additional payments authorized by subsection (b) of section 2 (relating to awards of the Mixed Claims Commission), in such amounts as will make the aggregate payments (authorized by such subsection) under this paragraph and paragraphs (2), (3), and (4) of this subsection equal to 80 per cent of the aggregate amount of all payments authorized by subsection (b) of section 2. Payments under this paragraph shall be prorated on the basis of the amount of the respective payments authorized by subsection (b) of section 2 and remaining unpaid. Pending the completion of the work of the Mixed Claims Commission, the Secretary of the Treasury is authorized to pay such installments of the payments authorized by this paragraph as he determines to be consistent with prompt payment under this paragraph to all persons on behalf of whom claims have been presented to the commission;

"(6) To pay amounts determined by the Secretary of the Treasury to be payable in respect of the tentative awards of the arbiter, in accordance with the provisions of subsection (s) of section 3 (relating to awards for ships, patents, and radio stations);

"(7) To pay to German nationals such amounts as will make the aggregate payments equal to 50 per cent of the amounts awarded under section 3 (on account of ships, patents, and radio stations). Payments authorized by this paragraph or paragraphs (6) may, to the extent of funds available under the provisions of subsection (d) of this section, be made whether or not the payments under paragraphs (1) to (5), inclusive, of this subsection have been completed;

"(8) To pay accrued interest upon the participating certificates evidencing the amounts invested by the Alien Property Custodian under subsection (a) of section 25 of the trading with the enemy act, as amended (relating to the investment of 20 per cent of German property temporarily withheld);

"(9) To pay the accrued interest payable under subsection (c) of section 2 (in respect of awards of the Mixed Claims Commission) and subsection (h) of section 3 (in respect of awards to German nationals);

"(10) To make such payments as are necessary (A) to repay the amounts invested by the Alien Property Custodian under subsection (a) of section 25 of the trading with the enemy act, as amended (relating to the investment of 20 per cent of German property temporarily withheld), (B) to pay amounts equal to the difference between the aggregate payments (in respect of claims of German nationals) authorized by subsections (g) and (h) of section 3 and the amounts previously paid in respect thereof, and (C) to pay amounts equal to the difference between the aggregate payments (in respect of awards of the Mixed Claims Commission) authorized by subsections (b) and (c) of section 2, and the amounts previously paid in respect thereof. If funds available are not sufficient to make the total payments authorized by this paragraph, the amount of payments made from time to time shall be apportioned among the payments authorized under clauses (A), (B), and (C) according to the aggregate amount remaining unpaid under each clause;

"(11) To make such payments as are necessary to repay the amounts invested by the Alien Property Custodian under subsection (b) of section 25 of the trading with the enemy act, as amended (relating to the investment of the unallocated interest fund); but the amount payable under this paragraph shall not exceed the aggregate amount allocated to the trusts described in subsection (c) of section 26 of such act;

"(12) To pay into the Treasury as miscellaneous receipts the amount of the awards of the Mixed Claims Commission to the United States on its own behalf on account of claims of the United States against Germany; and

"(13) To pay into the Treasury as miscellaneous receipts any funds remaining in the German special deposit account after the payments authorized by paragraphs (1) to (12) have been completed.

"(d) Fifty per cent of the amounts appropriated under the authority of section 3 (relating to claims of German nationals) shall be available for payments under paragraphs (6) and (7) of subsection (c) of this section (relating to such claims) and shall be available only for such payments until such time as the payments authorized by such paragraphs have been completed.

"(e) The Secretary of the Treasury is authorized to pay, from funds in the German special deposit account, such amounts, not in excess of $25,000 per annum, as may be necessary for the payment of the expenses in carrying out the provisions of this section and section 25 of the trading with the enemy act, as amended (relating to the investment of funds by the Alien Property Custodian), including personal services at the seat of government.

"(f) The Secretary of the Treasury is authorized to invest and reinvest, from time to time, in bonds, notes, or certificates of indebtedness of the United States any of the funds in the German special deposit account, and to deposit to the credit of such account the interest or other earnings thereon.

"(g) There shall be deducted from the amounts first payable under this section to any American national in respect of any debt the amount, if any, paid by the Alien Property Custodian in respect of such debt which was not credited by the Mixed Claims Commission in making its award.

CLAIMS OF UNITED STATES AND ITS NATIONALS AGAINST AUSTRIA AND HUNGARY

"SEC. 5. (a) The Commissioner of the Tripartite Claims Commission (hereinafter referred to as the "commissioner") selected in pursuance of the agreement of November 26, 1924, between the United States and Austria and Hungary shall, from time to time, certify to the Secretary of the Treasury the judgments and interlocutory judgments (hereinafter referred to as "awards") of the commissioner.

"(b) The Secretary of the Treasury is authorized and directed to pay (1) in the case of any such judgment, an amount equal to the principal thereof, plus the interest thereon in accordance with such judgment, and (2) in the case of any such interlocutory judgment, an amount equal to the principal thereof (converted at the rate of exchange specified in the certificate of the commissioner provided for in section 7), plus the interest thereon in accordance with such certificate.

"(c) The payments authorized by subsection (b) shall be made in accordance with such regulations as the Secretary of the Treasury may prescribe, but only out of the special deposit account (Austrian or Hungarian, as the case may be), created by section 7, and within the limitations hereinafter prescribed.

"(d) There shall be deducted from the amount of each payment, as reimbursement for expenses incurred by the United States in respect thereof, an amount equal to one-half of 1 per cent thereof. The amount so deducted shall be deposited in the Treasury as miscellaneous receipts.

"(e) The amounts awarded to the United States in respect of claims of the United States on its own behalf shall be payable under this section.

"(f) No payment shall be made under this section (other than payments to the United States in respect of claims of the United States on its own behalf) unless application therefor is made within two years after the date of the enactment of this act in accordance with such regulations as the Secretary of the Treasury may prescribe. Payment shall be made only to the person on behalf of whom the award was made except in the cases specified in paragraphs (1) to (4) of subsection (g) of section 2.

"(g) Any person who makes application for payment under this section shall be held to have consented to all the provisions of this act.

CLAIMS OF AUSTRIAN AND HUNGARIAN NATIONALS AGAINST THE UNITED STATES

"SEC. 6. (a) It shall be the duty of the arbiter, within the limitations hereinafter prescribed, to hear the claims of any Austrian or Hungarian national (as hereinafter defined) and to determine the compensation to be paid by the United States, in respect of—

"(1) Any patent (or any right therein or claim thereto, and including an application therefor and any patent issued pursuant to any such application) which was licensed, assigned, or sold by the Alien Property Custodian to the United States. Such compensation shall be the amount, as nearly as may be determined, which would have been paid if such patent, right, claim, or application had been licensed, assigned, or sold to the United States by a citizen of the United States, except that there shall be deducted from such amount any consideration paid therefor by the United States (other than consideration which is returned to the United States under section 27 of the trading with the enemy act, as amended).

"(2) The use by or for the United States of any invention described in and covered by any patent (including an application therefor and any patent issued pursuant to any such application) which was conveyed, transferred, or assigned to, or seized by the Alien Property Custodian, but not including any use during any period between December 7, 1917, and November 3, 1918, both dates inclusive, or on or after the date on which such patent was licensed, assigned, or sold by the Alien Property Custodian. In determining such compensation, any defense, general or special available to a defendant in an action for infringement or in any suit in equity for relief against an alleged infringement, shall be available to the United States.

"(b) The proceedings of the arbiter under this section shall be conducted in accordance with such rules of procedure as he may prescribe. The arbiter, or any referee designated by him, is authorized to administer oaths, to hold hearings at such places within or without the United States as the arbiter deems necessary, and to contract for the reporting of such hearings. Any witness appearing for the United States before the arbiter or any such referee at any place within or without the United States may be paid the same fees and mileage as witnesses in courts of the United States. Such payments may be made in advance, and may be made in the first instance out of the German special deposit account, subject to reimbursement from the special deposit account (Austrian or Hungarian as the case may be) hereinafter provided for.

"(c) The arbiter shall, upon the determination by him of the fair compensation in respect of all such patents, make a tentative award to each claimant of the fair compensation to be paid in respect of his claim, including simple interest, at the rate of 5 per cent per annum, on the amount of such compensation from July 2, 1921, to December 31, 1928, both dates inclusive.

"(d) The total amount to be awarded under this section shall not exceed $1,000,000, minus the sum of (1) the expenditures in carrying out the provisions of this section (including a reasonable estimate for such expenditures to be incurred prior to the expiration of the term of office of the arbiter) and (2) the aggregate consideration paid by the United States in respect of the use, license, assignment, and sale of such patents (other than consideration which is returned to the United States under section 27 of the trading with the enemy act, as amended).

"(e) If the aggregate amount of the tentative awards exceeds the amount which may be awarded under subsection (d), the arbiter shall reduce pro rata the amount of each tentative award. The arbiter shall enter an award of the amount to be paid each claimant, and thereupon shall certify such awards to the Secretary of the Treasury.

"(f) The Secretary of the Treasury is authorized and directed to pay the amount of the awards certified under sub-

section (e), together with simple interest thereon, at the rate of 5 per cent per annum, beginning January 1, 1929, until paid.

"(g) The payments authorized by subsection (f) shall be made in accordance with such regulations as the Secretary of the Treasury may prescribe, but only out of the special deposit account (Austrian or Hungarian, as the case may be), created by section 7, and within the limitations hereinafter prescribed.

"(h) No payment shall be made under this section unless application therefor is made, within two years after the date the award is certified, in accordance with such regulations as the Secretary of the Treasury may prescribe. Payment of any amount in respect of any award may be made, in the discretion of the Secretary of the Treasury, either in the United States or in Austria or in Hungary, and either in money of the United States or in lawful Austrian or Hungarian money (as the case may be), and shall be made only to the person on behalf of whom the award was made, except in the cases specified in paragraphs (1) to (4) of subsection (k) of section 3.

"(i) The provisions of subsections (l), (m), and (o) of section 3 shall be applicable in carrying out the provisions of this section, except that the expenditures in carrying out the provisions of section 3 and this section shall be allocated (as nearly as may be) by the arbiter and paid, in accordance with such allocation, out of the German special deposit account created by section 4 or the special deposit account (Austrian or Hungarian, as the case may be) created by section 7. Such payments may be made in the first instance out of the German special deposit account, subject to reimbursement from the Austrian or the Hungarian special deposit account in appropriate cases.

"(j) There is hereby authorized to be appropriated, to remain available until expended, such amount, not in excess of $1,000,000, as may be necessary for carrying out the provisions of this section.

"(k) The provisions of this section shall constitute the exclusive method for the presentation and payment of claims arising out of any of the acts by or on behalf of the United States for which this section provides a remedy. Any person who files any claim or makes application for any payment under this section shall be held to have consented to all the provisions of this act.

"(l) If the aggregate amount to be awarded in respect of any patent is awarded in respect of two or more claims, such amount shall be apportioned among such claims by the arbiter as he determines to be just and equitable and as the interests of the claimants may appear.

AUSTRIAN AND HUNGARIAN SPECIAL DEPOSIT ACCOUNTS

"SEC. 7. (a) There are hereby created in the Treasury an Austrian special deposit account and an Hungarian special deposit account, into which, respectively, shall be deposited all funds hereinafter specified and from which, respectively, shall be disbursed all payments and expenditures authorized by section 5 or 6 or this section.

"(b) The Secretary of the Treasury is authorized and directed to deposit in the Austrian or the Hungarian special deposit account, as the case may be—

"(1) The respective amounts appropriated under the authority of section 6 (patent claims of Austrian and Hungarian nationals);

"(2) The respective sums transferred by the Alien Property Custodian, under the provisions of subsection (g) of section 25 of the trading with the enemy act, as amended (property of Austrian and Hungarian Governments);

"(3) All money (including the proceeds of any property, rights, or benefits which may be sold or otherwise disposed of, upon such terms as he may prescribe) received, whether before or after the enactment of this act, by the United States in respect of claims of the United States against Austria or Hungary, as the case may be, on account of awards of the commissioner.

"(c) The Secretary of the Treasury is authorized and directed, out of the funds in the Austrian or the Hungarian special deposit account, as the case may be, subject to the provisions of subsections (d) and (e)—

"(1) To make the payments of expenses of administration authorized by section 6 or this section;

"(2) To make the payments authorized by subsection (b) of section 5 (relating to awards of the Tripartite Claims Commission); and

"(3) To make the payments of the awards of the arbiter, together with interest thereon, as provided by section 6 (relating to claims of Austrian and Hungarian nationals).

"(d) No payment shall be made in respect of any award of the commissioner against Austria or of the arbiter on behalf of an Austrian national, nor shall any money or other property be returned under paragraph (15), (17), (18), or (19) of subsection (b) of section 9 of the trading with the enemy act, as amended (relating to the return of money and other property by the Alien Property Custodian to Austrian nationals), prior to the date upon which the commissioner certifies to the Secretary of the Treasury—

"(1) That the amounts deposited in the Austrian special deposit account under paragraph (2) of subsection (b) of this section (in respect of property of the Austrian Government or property of a corporation all the stock of which was owned by the Austrian Government) and under paragraph (3) of subsection (b) of this section (in respect of money received by the United States in respect of claims of the United States against Austria on account of awards of the commissioner) are sufficient to make the payments authorized by subsection (b) of section 5 in respect of awards against Austria; and

"(2) In respect of interlocutory judgments entered by the commissioner, the rate of exchange at which such interlocutory judgments shall be converted into money of the United States and the rate of interest applicable to such judgments and the period during which such interest shall run. The commissioner is authorized and requested to fix such rate of exchange and interest as he may determine to be fair and equitable, and to give notice thereof, within 30 days after the enactment of this act.

"(e) No payment shall be made in respect of any award of the commissioner against Hungary or of the arbiter on behalf of an Hungarian national, nor shall any money or other property be returned under paragraph (15), (20), (21), or (22) of subsection (b) of section 9 of the trading with the enemy act, as amended by this act (relating to the return of money and other property by the Alien Property Custodian to Hungarian nationals), prior to the date upon which the commissioner certifies to the Secretary of the Treasury—

"(1) That the amounts deposited in the Hungarian special deposit account under paragraph (2) of subsection (b) of this section (in respect of property of the Hungarian Government or property of a corporation all the stock of which was owned by the Hungarian Government) and under paragraph (3) of subsection (b) of this section (in respect of money received by the United States in respect of claims of the United States against Hungary on account of awards of the commissioner), are sufficient to make the payments authorized by subsection (b) of section 5 in respect of awards against Hungary; and

"(2) In respect of interlocutory judgments entered by the commissioner, the rate of exchange at which such interlocutory judgments shall be converted into money of the United States and the rate of interest applicable to such judgments and the period during which such interest shall run. The commissioner is authorized and requested to fix such rate of exchange and interest as he may determine to be fair and equitable, and to give notice thereof, within 30 days after the enactment of this act.

"(f) Amounts available under subsection (e) of section 4 (relating to payment of expenses of administration) shall be available for the payment of expenses in carrying out the provisions of this section, including personal services at the seat of Government.

"(g) The Secretary of the Treasury is authorized to invest and reinvest, from time to time, in bonds, notes, or certificates of indebtedness of the United States, any of the funds in the Austrian or the Hungarian special deposit account, and to deposit to the credit of such account the interest or other earnings thereon.

"(h) There shall be deducted from the amounts first payable under this section to any American national in respect of any debt the amount, if any, paid by the Alien Property Custodian in respect of such debt which was not credited by the commissioner in making his award.

"(i) The payments of the awards of the commissioner to the United States on its own behalf, on account of claims of the United States against Austria or Hungary, shall be paid into the Treasury as miscellaneous receipts.

"(j) Any amount remaining in the Austrian or the Hungarian special deposit account after all the payments authorized to be made therefrom have been completed shall be disposed of as follows:

"(1) There shall first be paid into the Treasury as miscellaneous receipts the respective amount, if any, by which the appropriations made under the authority of section 6 and deposited in such special deposit account exceed the payments authorized by such section; and

"(2) The remainder shall be refunded to Austria or Hungary, as their respective interests may appear.

FINALITY OF DECISIONS

"SEC. 8. (a) Notwithstanding the provisions of section 236 of the Revised Statutes, as amended, the decisions of the Secretary of the Treasury in respect of the funds to be paid into the German, the Austrian, or the Hungarian special deposit account and of the payments therefrom shall be final and conclusive and shall not be subject to review by any other officer of the United States, except that payments made under authority of subsection (c) or (m) of section 3 or subsection (e) of section 4 or subsection (f) of section 7 (relating to expenses of administration) shall be accounted for and settled without regard to the provisions of this subsection.

"(b) The Secretary of the Treasury, in his annual report to the Congress, shall include a detailed statement of all expenditures made in carrying out the provisions of this act.

EXCESSIVE FEES PROHIBITED

"SEC. 9. (a) The arbiter, the Commissioner of the Mixed Claims Commission appointed by the United States, and the Commissioner of the Tripartite Claims Commission, respectively, are authorized (upon request as hereinafter provided) to fix reasonable fees (whether or not fixed under any contract or agreement) for services in connection with the proceedings before the arbiter and the Mixed Claims Commission and the Tripartite Claims Commission, respectively, and with the preparations therefor, and the application for payment, and the payment, of any amount under section 2, 3, 5, or 6. Each such official is authorized and requested to mail to each claimant in proceedings before him or the commission, as the case may be, notice (in English, German, or Hungarian) of the provisions of this section. No fee shall be fixed under this subsection unless written request therefor is filed with such official before the expiration of 90 days after the date of mailing of such notice. In the case of nationals of Germany, Austria, and Hungary, such notice may be mailed to, and the written request may be filed by, the duly accredited diplomatic representative of such nation.

"(b) After a fee has been fixed under subsection (a), any person accepting any consideration (whether or not under a contract or agreement entered into prior to the enactment of this act), the aggregate value of which (when added to any consideration previously received) is in excess of the amount so fixed, for services in connection with the proceedings before the arbiter or Mixed Claims Commission or Tripartite Claims Commission, or any preparations therefor, or with the application for payment, or the payment, of any amount under section 2, 3, 5, or 6, shall, upon conviction thereof, be punished by a fine of not more than four times the aggregate value of the consideration accepted by such person therefor.

"(c) Section 20 of the trading with the enemy act, as amended, is amended by inserting after the word 'attorney' wherever it appears in such section the words 'at law or in fact.'

INVESTMENT OF FUNDS BY ALIEN PROPERTY CUSTODIAN

"SEC. 10. The trading with the enemy act, as amended, is amended by adding thereto the following new section:

"'SEC. 25. (a) (1) The Alien Property Custodian is authorized and directed to invest, from time to time upon the request of the Secretary of the Treasury, out of the funds held by the Alien Property Custodian or by the Treasurer of the United States for the Alien Property Custodian, an amount not to exceed $40,000,000 in the aggregate, in one or more participating certificates issued by the Secretary of the Treasury in accordance with the provisions of this section.

"'(2) When in the case of any trust written consent under subsection (m) of section 9 has been filed, an amount equal to the portion of such trust the return of which is temporarily postponed under such subsection shall be credited against the investment made under paragraph (1) of this subsection. If the total amount so credited is in excess of the amount invested under paragraph (1) of this subsection, the excess shall be invested by the Alien Property Custodian in accordance with the provisions of this subsection, without regard to the $40,000,000 limitation in paragraph (1). If the amount invested under paragraph (1) of this subsection is in excess of the total amount so credited, such excess shall, from time to time on request of the Alien Property Custodian, be paid to him out of the funds in the German special-deposit account created by section 4 of the settlement of war claims act of 1928, and such payments shall have priority over any payments therefrom other than the payments under paragraph (1) of subsection (c) of such section (relating to expenses of administration).

"'(b) The Alien Property Custodian is authorized and directed to invest, in one or more participating certificates issued by the Secretary of the Treasury, out of the unallocated interest fund, as defined in section 28—

"'(1) The sum of $25,000,000. If, after the allocation under section 26 has been made, the amount of the unallocated interest fund allocated to the trusts described in subsection (c) of such section is found to be in excess of $25,000,000, such excess shall be invested by the Alien Property Custodian in accordance with the provisions of this subsection. If the amount so allocated is found to be less than $25,000,000, any participating certificate or certificates that have been issued shall be corrected accordingly; and

"'(2) The balance of such unallocated interest fund remaining after the investment provided for in paragraph (1) and the payment of allocated earnings in accordance with the provisions of subsection (b) of section 26 have been made.

"'(c) If the amount of such unallocated interest fund, remaining after the investment required by paragraph (1) of subsection (b) of this section has been made, is insufficient to pay the allocated earnings in accordance with subsection (b) of section 26, then the amount necessary to make up the deficiency shall be paid out of the funds in the German special deposit account created by section 4 of the settlement of war claims act of 1928, and such payment shall have priority over any payments therefrom other than the payments under paragraph (1) of subsection (c) of such section (relating to expenses of administration) and the payments under paragraph (2) of subsection (a) of this section.

"'(d) The Alien Property Custodian is authorized and directed (after the payment of debts under section 9) to transfer to the Secretary of the Treasury, for deposit in such special deposit account, all money and the proceeds of all property, including all income, dividends, interest, annuities, and earnings accumulated in respect thereof, owned by the German Government or any member of the former ruling family. All money and other property shall be held to be owned by the German Government (1) if no claim thereto has been filed with the Alien Property Custodian prior to the expiration of one year from the date of the enactment of the settlement of war claims act of 1928, or (2) if any claim has been filed before the expiration of such period (whether before or after the enactment of such act), then if the ownership thereof under any such claim is not established by a decision of the Alien Property Custodian or by suit in court instituted, under section 9, within one year after the decision of the Alien Property Custodian, or after the date of the enactment of the settlement of war claims act of 1928, whichever date is later. The amounts so transferred under this subsection shall be credited upon the final payment due the United States from the German Government on account of the awards of the Mixed Claims Commission.

"'(e) The Secretary of the Treasury is authorized and directed to issue to the Alien Property Custodian, upon such terms and conditions and under such regulations as the Secretary of the Treasury may prescribe, one or more participating certificates, bearing interest payable annually (as nearly as may be) at the rate of 5 per cent per annum, as evidence of the investment by the Alien Property Custodian under subsection (a), and one or more noninterest-bearing, participating certificates, as evidence of the investment by the Alien Property Custodian under subsection (b). All such certificates shall evidence a participating interest, in accordance with, and subject to the priorities of, the provisions of section 4 of the settlement of war claims act of 1928, in the funds in the German special deposit account created by such section, except that—

"'(1) The United States shall assume no liability, directly or indirectly, for the payment of any such certificates, or of the interest thereon, except out of funds in such special deposit account available therefor, and all such certificates shall so state on their face; and

"'(2) Such certificates shall not be transferable, except that the Alien Property Custodian may transfer any such participating certificate evidencing the interest of a substantial number of the owners of the money invested, to a trustee duly appointed by such owners.

"'(f) Any amount of principal or interest paid to the Alien Property Custodian in accordance with the provisions of subsection (c) of section 4 of the settlement of war claims act of 1928 shall be allocated pro rata among the persons filing written consents under subsection (m) of section 9 of this act, and the amounts so allocated shall be paid to such persons. If any person to whom any amount is payable under this subsection has died (or if, in the case of a partnership, association, or other unincorporated body of individuals, or a corporation, its existence has terminated), payment shall be made to the persons determined by the Alien Property Custodian to be entitled thereto.

"'(g) The Alien Property Custodian is authorized and directed (after the payment of debts under section 9) to transfer to the Secretary of the Treasury, for deposit in the special

deposit account (Austrian or Hungarian, as the case may be), created by section 7 of the settlement of war claims act of 1928, all money and the proceeds of all property, including all income, dividends, interest, annuities, and earnings accumulated in respect thereof, owned by the Austrian Government or any corporation all the stock of which was owned by or on behalf of the Austrian Government (including the property of the Imperial Royal Tobacco Monopoly, also known under the name of K. K. Oesterreichische Tabak Regie), or owned by the Hungarian Government or by any corporation all the stock of which was owned by or on behalf of the Hungarian Government.'

RETURN TO NATIONALS OF GERMANY, AUSTRIA, AND HUNGARY OF PROPERTY HELD BY ALIEN PROPERTY CUSTODIAN

"SEC. 11. Subsection (b) of section 9 of the trading with the enemy act, as amended, is amended by striking out the punctuation at the end of paragraph (11) and inserting in lieu thereof a semicolon and the word "or" and inserting after paragraph (11) the following new paragraphs:

"'(12) A partnership, association, or other unincorporated body of individuals, or a corporation, and was entirely owned at such time by subjects or citizens of nations, States, or free cities other than Austria or Hungary or Austria-Hungary and is so owned at the time of the return of its money or other property, and has filed the written consent provided for in subsection (m); or

"'(13) A partnership, association, or other unincorporated body of individuals, having its principal place of business at such time within any country other than Austria, Hungary, or Austria-Hungary, or a corporation organized or incorporated within any country other than Austria, Hungary, or Austria-Hungary, and that the written consent provided for in subsection (m) has been filed; or

"'(14) Any individual who at such time was a citizen or subject of Germany or who at the time of the return of any money or other property is a citizen or subject of Germany or is not a citizen or subject of any nation, State, or free city, and that the written consent provided for in subsection (m) has been filed; or

"'(15) The Austro-Hungarian Bank, except that the money or other property thereof shall be returned only to the liquidators thereof; or

"'(16) An individual, partnership, association, or other unincorporated body of individuals, or a corporation, and that the written consent provided for in subsection (m) has been filed, and that no suit or proceeding against the United States or any agency thereof is pending in respect of such return, and that such individual has filed a written waiver renouncing on behalf of himself, his heirs, successors, and assigns any claim based upon the fact that at the time of such return he was in fact entitled to such return under any other provision of this act; or

"'(17) A partnership, association, or other unincorporated body of individuals, or a corporation, and was entirely owned at such time by citizens of Austria and is so owned at the time of the return of its money or other property; or

"'(18) A partnership, association, or other unincorporated body of individuals, having its principal place of business at such time within Austria, or a corporation organized or incorporated within Austria; or

"'(19) An individual who at such time was a citizen of Austria or who at the time of the return of any money or other property is a citizen of Austria; or

"'(20) A partnership, association, or other unincorporated body of individuals, or a corporation, and was entirely owned at such time by citizens of Hungary and is so owned at the time of the return of its money or other property; or

"'(21) A partnership, association, or other unincorporated body of individuals, having its principal place of business at such time within Hungary, or a cooperation organized or incorporated within Hungary; or

"'(22) An individual who at such time was a citizen of Hungary or who, at the time of the return of any money or other property, is a citizen of Hungary;—'

"SEC. 12. (a) Subsection (d) of section 9 of the trading with the enemy act, as amended, is amended to read as follows:

"'(d) Whenever an individual, deceased, would have been entitled, if living, to the return of any money or other property without filing the written consent provided for in subsection (m), then his legal representative may proceed for the return of such money or other property in the same manner as such individual might proceed if living, and such money or other property may be returned to such legal representative without requiring the appointment of an administrator, or an ancillary administrator, by a court in the United States, or to any such ancillary administrator, for distribution directly to the persons entitled thereto. Return in accordance with the provisions of this subsection may be made in any case where an application or court proceeding by any legal representative, under the provisions of this subsection before its amendment by the settlement of war claims act of 1928, is pending and undetermined at the time of the enactment of such act. All bonds or other security given under the provisions of this subsection before such amendment shall be canceled or released and all sureties thereon discharged.'

"(b) Subsection (e) of section 9 of the trading with the enemy act, as amended, is amended by striking out the period at the end thereof and inserting a semicolon and the following: 'nor shall a debt be allowed under this section unless notice of the claim has been filed, or application therefor has been made, prior to the date of the enactment of the settlement of war claims act of 1928.'

"(c) Subsection (g) of section 9 of the trading with the enemy act, as amended, is amended to read as follows:

"'(g) Whenever an individual, deceased, would have been entitled, if living, to the return of any money or other property upon filing the written consent provided for in subsection (m), then his legal representative may proceed for the return of such money or other property in the same manner as such individual might proceed if living, and such money or other property may be returned, upon filing the written consent provided for in subsection (m), to such legal representative without requiring the appointment of an administrator, or an ancillary administrator, by a court in the United States, or to any such ancillary administrator, for distribution to the persons entitled thereto. This subsection shall not be construed as extinguishing or diminishing any right which any citizen of the United States may have had under this subsection prior to its amendment by the settlement of war claims act of 1928 to receive in full his interest in the property of any individual dying before such amendment.'

"SEC. 13. Subsections (j) and (k) of section 9 of the trading with the enemy act, as amended, are amended so as to comprise three subsections, to read as follows:

"'(j) The Alien Property Custodian is authorized and directed to return to the person entitled thereto, whether or not an enemy or ally of enemy and regardless of the value, any patent, trade-mark, print, label, copyright, or right therein or claim thereto, which was conveyed, transferred, assigned, or delivered to the Alien Property Custodian, or seized by him, and which has not been sold, licensed, or otherwise disposed of under the provisions of this act, and to return any such patent, trade-mark, print, label, copyright, or right therein or claim thereto, which has been licensed, except that any patent, trade-mark, print, label, copyright, or right therein or claim thereto, which is returned by the Alien Property Custodian and which has been licensed, or in respect of which any contract has been entered into, or which is subject to any lien or encumbrance, shall be returned subject to the license, contract, lien, or encumbrance.

"'(k) Except as provided in section 27, paragraphs (12) to (22), both inclusive, of subsection (b) of this section shall apply to the proceeds received from the sale, license, or other disposition of any patent, trade-mark, print, label, copyright, or right therein or claim thereto, conveyed, transferred, assigned, or delivered to the Alien Property Custodian, or seized by him.

"'(l) This section shall apply to royalties paid to the Alien Property Custodian, in accordance with a judgment or decree in a suit brought under subsection (f) of section 10; but shall not apply to any other money paid to the Alien Property Custodian under section 10.'

"SEC. 14. Section 9 of the trading with the enemy act, as amended, is amended by adding at the end thereof the following new subsections:

"'(m) No money or other property shall be returned under paragraphs (12), (13), (14), or (16) of subsection (b) or under subsection (g) or (n) or (to the extent therein provided) under subsection (p), unless the person entitled thereto files a written consent to a postponement of the return of an amount equal to 20 per cent of the aggregate value of such money or other property (at the time, as nearly as may be, of the return), as determined by the Alien Property Custodian, and the investment of such amount in accordance with the provisions of section 25. Such amount shall be deducted from the money to be returned to such person, so far as possible, and the balance shall be deducted from the proceeds of the sale of so much of the property as may be necessary, unless such person pays the balance to the Alien Property Custodian, except that no property shall be so sold prior to the expiration of six years from the date of the enactment of the settlement of war claims act of 1928 without the consent of the person entitled thereto. The amounts so deducted shall be returned to the persons entitled thereto as provided in subsection (f) of section 25. The sale of

any such property shall be made in accordance with the provisions of section 12, except that the provisions of such section relating to sales or resales to, or for the benefit of, citizens of the United States shall not be applicable. If such aggregate value of the money or other property to be returned under paragraphs (12), (13), (14), or (16) of subsection (b) or under subsection (g) is less than $2,000, then the written consent shall not be required and the money or other property shall be returned in full without the temporary retention and investment of 20 per cent thereof.

"'(n) In the case of property consisting of stock or other interest in any corporation, association, company, or trust, or bonded or other indebtedness thereof, evidenced by certificates of stock or by bonds or by other certificates of interest therein or indebtedness thereof, or consisting of dividends or interest or other accruals thereon, where the right, title, and interest in the property (but not the actual certificate or bond or other certificate of interest or indebtedness) was conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian, or seized by him, if the President determines that the owner thereof or of any interest therein has acquired such ownership by assignment, transfer, or sale of such certificate or bond or other certificate of interest or indebtedness (it being the intent of this subsection that such assignment, transfer, or sale shall not be deemed invalid hereunder by reason of such conveyance, transfer, assignment, delivery, or payment to the Alien Property Custodian or seizure by him), and that the written consent provided for in subsection (m) has been filed, then the President may make in respect of such property an order of the same character, upon the same conditions, and with the same effect, as in cases provided for in subsection (b), including the benefits of subsection (c).

"'(o) The provisions of paragraph (12), (13), (14), (17), (18), (19), (20), (21), or (22) of subsection (b), or of subsection (m) or (n) of this section, and (except to the extent therein provided) the provisions of paragraph (16) of subsection (b), shall not be construed as diminishing or extinguishing any right under any other provision of this act in force immediately prior to the enactment of the settlement of war claims act of 1928.

"'(p) The Alien Property Custodian shall transfer the money or other property in the trust of any partnership, association, or other unincorporated body of individuals, or corporation, the existence of which has terminated, to trusts in the names of the persons (including the German Government and members of the former ruling family) who have succeeded to its claim or interest; and the provisions of subsection (a) of this section relating to the collection of a debt (by order of the President or of a court) out of money or other property held by the Alien Property Custodian or the Treasurer of the United States shall be applicable to the debts of such successor and any such debt may be collected out of the money or other property in any of such trusts if not returnable under subsection (a) of this section. Subject to the above provisions as to the collection of debts, each such successor (except the German Government and members of the former ruling family) may proceed for the return of the amount so transferred to his trust, in the same manner as such partnership, association, or other unincorporated body of individuals, or corporation might proceed if still in existence. If such partnership, association, or other unincorporated body of individuals, or corporation, would have been entitled to the return of its money or other property only upon filing the written consent provided for in subsection (m), then the successor shall be entitled to the return under this subsection only upon filing such written consent.

"'(q) The return of money or other property under paragraph (15), (17), (18), (19), (20), (21), or (22) of subsection (b) (relating to the return to Austrian and Hungarian nationals) shall be subject to the limitations imposed by subsections (d) and (e) of section 7 of the settlement of war claims act of 1928.'

"SEC. 15. The trading with the enemy act, as amended, is amended by adding thereto the following new sections:

"'SEC. 26. (a) The Alien Property Custodian shall allocate among the various trusts the funds in the "unallocated interest fund" (as defined in section 28). Such allocation shall be based upon the average rate of earnings (determined by the Secretary of the Treasury) on the total amounts deposited under section 12.

"'(b) The Alien Property Custodian, when the allocation has been made, is authorized and directed to pay to each person entitled, in accordance with a final decision of a court of the United States or of the District of Columbia, or of an opinion of the Attorney General, to the distribution of any portion of such unallocated interest fund, the amount allocated to his trust, except as provided in subsection (c) of this section.

"'(c) In the case of persons entitled, under paragraph (12), (13), (14), or (16) of subsection (b) of section 9, to such return, and in the case of persons who would be entitled to such return thereunder if all such money or property had not been returned under paragraph (9) or (10) of such subsection, and in the case of persons entitled to such return under subsection (n) of section 9, an amount equal to the aggregate amount allocated to their trusts shall be credited against the sum of $25,000,000 invested in participating certificates under paragraph (1) of subsection (b) of section 25. If the aggregate amount so allocated is in excess of $25,000,000, an amount equal to the excess shall be invested in the same manner. Upon the repayment of any of the amounts so invested, under the provisions of section 4 of the settlement of war claims act of 1928, the amount so repaid shall be distributed pro rata among such persons, notwithstanding any receipts or releases given by them.

"'(d) The unallocated interest fund shall be available for carrying out the provisions of this section, including the expenses of making the allocation.

"'SEC. 27. The Alien Property Custodian is authorized and directed to return to the United States any consideration paid to him by the United States under any license, assignment, or sale by the Alien Property Custodian to the United States of any patent (or any right therein or claim thereto, and including an application therefor and any patent issued pursuant to any such application).

"'SEC. 28. As used in this act, the term "unallocated interest fund" means the sum of (1) the earnings and profits accumulated prior to March 4, 1923, and attributable to investments and reinvestments under section 12 by the Secretary of the Treasury, plus (2) the earnings and profits accumulated on or after March 4, 1923, in respect of the earnings and profits referred to in clause (1) of this section.

"'SEC. 29. (a) Where the Alien Property Custodian has made demand or requirement for the conveyance, transfer, assignment, delivery, or payment to him of any money or other property of any enemy or ally of enemy (whether or not suit or proceeding for the enforcement thereof has been begun and whether or not any judgment or decree in respect thereof has been made or entered) and where the whole or any part of such money or other property would, if conveyed, transferred, assigned, delivered, or paid to him, be returnable under any provision of this act, the Alien Property Custodian may, in his discretion, and on such terms and conditions as he may prescribe, waive such demand or requirement, or accept in full satisfaction of such demand, requirement, judgment, or decree, a less amount than that demanded or required by him.

"'(b) The Alien Property Custodian shall not make any such waiver or compromise except with the approval of the Attorney General; nor (if any part of such money or property would be returnable only upon the filing of the written consent required by subsection (m) of section 9) unless, after compliance with the terms and conditions of such waiver or compromise, the Alien Property Custodian or the Treasurer of the United States will hold (in respect of such enemy or ally of enemy) for investment as provided in section 25, an amount equal to 20 per cent of the sum of (1) the value of the money or other property held by the Alien Property Custodian or the Treasurer of the United States at the time of such waiver or compromise, plus (2) the value of the money or other property to which the Alien Property Custodian would be entitled under such demand or requirement if the waiver or compromise had not been made.

"'(c) Where the Alien Property Custodian has made demand or requirement for the conveyance, transfer, assignment, delivery, or payment to him of any money or other property of any enemy or ally of enemy (whether or not suit or proceeding for the enforcement thereof has been begun and whether or not any judgment or decree in respect thereof has been made or entered) and where the interest or right of such enemy or ally of enemy in such money or property has not, prior to the enactment of the settlement of war claims act of 1928, vested in enjoyment, the Alien Property Custodian may, in his discretion, and on such terms and conditions as he may prescribe, waive such demand and requirement, without compliance with the requirements of subsection (b) of this section, but only with the approval of the Attorney General.

"'(d) Nothing in this section shall be construed as requiring the Alien Property Custodian to make any waiver or compromise authorized by this section, and the Alien Property Custo-

dian may proceed in respect of any demand or requirement referred to in subsection (a) or (c) as if this section had not been enacted.

"'(e) All money or other property received by the Alien Property Custodian as a result of any action or proceeding—whether begun before or after the enactment of the settlement of war claims act of 1928, and whether or not for the enforcement of a demand or requirements as above specified—shall for the purposes of this act be considered as forming a part of the trust in respect of which such action or proceeding was brought, and shall be subject to return in the same manner and upon the same conditions as any other money or property in such trust, except as otherwise provided in subsection (b) of this section.

"'SEC. 30. Any money or other property returnable under subsection (b) or (n) of section 9 shall, at any time prior to such return, be subject to attachment in accordance with the provisions of the code of law for the District of Columbia, as amended, relating to attachments in suits at law, and to attachments for the enforcement of judgments at law and decrees in equity, but any writ of attachment or garnishment issuing in any such suit, or for the enforcement of any judgment or decree, shall be served only upon the Alien Property Custodian, who shall for the purposes of this section be considered as holding credits in favor of the person entitled to such return to the extent of the value of the money or other property so returnable. Nothing in this section shall be construed as authorizing the taking of actual possession, by any officer of any court, of any money or other property held by the Alien Property Custodian or by the Treasurer of the United States.

"'SEC. 31. As used in this act, the term "member of the former ruling family" means (1) any person who was at any time between April 6, 1917, and July 2, 1921, the German Emperor or the ruler of any constituent kingdom of the German Empire, or (2) the wife or any child of such person.'

FUGITIVES FROM JUSTICE

"SEC. 16. Section 22 of the trading with the enemy act, as amended, is amended to read as follows:

"'SEC. 22. No person shall be entitled to the return of any property or money under any provision of this act, or any amendment of this act, who is a fugitive from justice of the United States or any State or Territory thereof, or the District of Columbia.'

RETURN OF INCOME

"SEC. 17. Section 23 of the trading with the enemy act, as amended, is amended to read as follows:

"'SEC. 23. The Alien Property Custodian is directed to pay to the person entitled thereto, from and after March 4, 1923, the net income (including dividends, interest, annuities, and other earnings), accruing and collected thereafter, in respect of any money or property held in trust for such person by the Alien Property Custodian or by the Treasurer of the United States for the account of the Alien Property Custodian, under such rules and regulations as the President may prescribe.'

TAXES

"SEC. 18. Section 24 of the trading with the enemy act, as amended, is amended by inserting '(a)' after the section number and by adding at the end of such section new subsections to read as follows:

"'(b) In the case of income, war-profits, excess-profits, or estate taxes imposed by any act of Congress, the amount thereof shall, under regulations prescribed by the Commissioner of Internal Revenue with the approval of Secretary of the Treasury, be computed in the same manner (except as hereinafter in this section provided) as though the money or other property had not been seized by or paid to the Alien Property Custodian, and shall be paid, as far as practicable, in accordance with subsection (a) of this section. Pending final determination of the tax liability the Alien Property Custodian is authorized to return, in accordance with the provisions of this act, money or other property in any trust in such amounts as may be determined, under regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury, to be consistent with the prompt payment of the full amount of the internal-revenue taxes.

"(c) So much of the net income of a taxpayer for the taxable year 1917, or any succeeding taxable year, as represents the gain derived from the sale or exchange by the Alien Property Custodian of any property conveyed, transferred, assigned, delivered, or paid to him, or seized by him, may at the option of the taxpayer be segregated from the net income and separately taxed at the rate of 30 per cent. This subsection shall be applied and the amount of net income to be so segregated shall be determined, under regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury, as nearly as may be in the same manner as provided in section 208 of the revenue act of 1926 (relating to capital net gains), but without regard to the period for which the property was held by the Alien Property Custodian before its sale or exchange, and whether or not the taxpayer is an individual.

"(d) Any property sold or exchanged by the Alien Property Custodian (whether before or after the date of the enactment of the settlement of war claims act of 1928) shall be considered as having been compulsory or involuntarily converted, within the meaning of the income, excess-profits, and war-profits tax laws and regulations; and the provisions of such laws and regulations relating to such a conversion shall (under regulations prescribed by the Commissioner of Internal Revenue with the approval of the Secretary of the Treasury) apply in the case of the proceeds of such sale or exchange. For the purpose of determining whether the proceeds of such conversion have been expended within such time as will entitle the taxpayer to the benefits of such laws and regulations relating to such a conversion, the date of the return of the proceeds to the person entitled thereto shall be considered as the date of the conversion.

"(e) In case of any internal-revenue tax imposed in respect of property conveyed, transferred, assigned, delivered, or paid to the Alien Property Custodian, or seized by him, and imposed in respect of any period (in the taxable year 1917 or any succeeding taxable year) during which such property was held by him or by the Treasurer of the United States, no interest or civil penalty shall be assessed upon, collected from, or paid by or on behalf of, the taxpayer; nor shall any interest be credited or paid to the taxpayer in respect of any credit or refund allowed or made in respect of such tax.

"'(f) The benefits of subsections (c), (d), and (e) shall be extended to the taxpayer if claim therefor is filed before the expiration of the period of limitations properly applicable thereto, or before the expiration of six months after the date of the enactment of the settlement of war claims act of 1928, whichever date is the later. The benefits of subsection (d) shall also be extended to the taxpayer if claim therefor is filed before the expiration of six months after the return of the proceeds.'

"SEC. 19. Subsection (f) of section 10 of the trading with the enemy act, as amended, is amended by adding at the end thereof the following new paragraph:

"'In the case of any such patent, trade-mark, print, label, or copyright, conveyed, assigned, transferred, or delivered to the Alien Property Custodian or seized by him, any suit brought under this subsection, within the time limited therein, shall be considered as having been brought by the owner within the meaning of this subsection, in so far as such suit relates to royalties for the period prior to the sale by the Alien Property Custodian of such patent, trade-mark, print, label, or copyright, if brought either by the Alien Property Custodian or by the person who was the owner thereof immediately prior to the date such patent, trade-mark, print, label, or copyright was seized or otherwise acquired by the Alien Property Custodian.'

"SEC. 20. The proviso of paragraph (10) of subsection (b) of section 9 of the trading with the enemy act, as amended (relating to the return to certain insurance companies), is repealed.

SHIP CLAIMS OF FORMER GERMAN NATIONALS

"SEC. 21. (a) It shall be the duty of the arbiter to hear the claims of any partnership, association, joint-stock company, or corporation, and to determine the amount of compensation to be paid to it by the United States, in respect of the merchant vessels *Carl Diederichsen* and *Johanne* (including any equipment, appurtenances, and property contained therein), title to which was taken by or on behalf of the United States under the authority of the joint resolution of May 12, 1917, and which were subsequently sold by or on behalf of the United States. Such compensation shall be determined as provided in paragraph (1) of subsection (b) of section 3 of this act, but the aggregate compensation shall not exceed, in the case of the *Carl Diederichsen*, $166,787.78 and in the case of the *Johanne*, $174,600 (such amounts being the price for which the vessels were sold, less the cost of reconditioning). The arbiter shall not make any award under this section in respect of the claim of any partnership, association, joint-stock company, or corporation unless it appears to his satisfaction that all its members and stockholders who were, on April 6, 1917, citizens or subjects of Germany, became, by virtue of any treaty of peace or plebiscite held or further treaty concluded under such treaty of peace, citizens or subjects of any nation other than Germany, and that all its members and stockholders on the date of the enactment of this

act were on such date citizens or subjects of nations other than Germany.

"(b) Upon the determination by him of such compensation the arbiter shall enter an award in favor of such person of the amount of such compensation and shall certify such award to the Secretary of the Treasury. The amount of such award, together with interest thereon, at the rate of 5 per cent per annum, from July 2, 1921, until the date of such payment, shall be paid by the Secretary of the Treasury, in accordance with such regulations as he may prescribe. There is authorized to be appropriated such amount as may be necessary to make such payment.

"(c) No payment shall be made in respect of any award under this section unless application therefor is made, within two years after the date such award is certified, in accordance with such regulations as the Secretary of the Treasury may prescribe, and payment shall be made only to the person on behalf of whom the award was made except in the cases specified in paragraphs (1) to (4) of subsection (k) of section 3. The provisions of subsections (c), (l), (m), (o), and (r) of section 3 shall be applicable in carrying out the provisions of this section.

"(d) The provisions of this section shall constitute the exclusive method for the presentation and payment of claims arising out of any of the acts by or on behalf of the United States for which this section provides a remedy. Any person who files any claim or makes application for any payment under this section shall be held to have consented to all the provisions of this act. This subsection shall not bar the presentation of a claim under section 3 (relating to the ship claims of German nationals) in respect of the taking of the vessel *Carl Diederichsen* or the vessel *Johanne;* but no award shall be made under section 3 in respect of either of such vessels to or on behalf of any person to whom or on whose behalf an award is made under this section in respect of such vessel.

DEFINITIONS

"SEC. 22. As used in this act—

"(a) The term 'person' means an individual, partnership, association, or corporation.

"(b) The term 'German national' means—

"(1) An individual who, on April 6, 1917, was a citizen or subject of Germany, or who, on the date of the enactment of this act, is a citizen or subject of Germany.

"(2) A partnership, association, or corporation, which on April 6, 1917, was organized or created under the law of Germany.

"(3) The Government of Germany.

"(c) The term 'member of the former ruling family' means (1) any person who was at any time between April 6, 1917, and July 2, 1921, the German Emperor or the ruler of any constituent kingdom of the German Empire, or (2) the wife or any child of such person.

"(d) The term 'Austrian national' means—

"(1) An individual who, on December 7, 1917, was a citizen of Austria, or who, on the date of the enactment of this act, is a citizen of Austria.

"(2) A partnership, association, or corporation which on December 7, 1917, was organized or created under the law of Austria.

"(3) The Government of Austria.

"(e) The term 'Hungarian national' means—

"(1) An individual who, on December 7, 1917, was a citizen of Hungary, or who, on the date of the enactment of this act, is a citizen of Hungary.

"(2) A partnership, association, or corporation which, on December 7, 1917, was organized or created under the law of Hungary.

"(3) The Government of Hungary.

"(f) The term 'United States' when used in a geographical sense includes the Territories and possessions of the United States and the District of Columbia.

LEGISLATIVE COUNSEL AND SPECIAL ASSISTANT TO SECRETARY OF THE TREASURY

"SEC. 23. (a) Section 1303(d) of the revenue act of 1918, as amended by section 1101 of the revenue act of 1924, is amended by adding at the end thereof a sentence to read as follows: 'Notwithstanding the foregoing provisions, the compensation of each of the two legislative counsel in office upon the date of the enactment of the settlement of war claims act of 1928 shall, after such date, be at the rate of $10,000 a year.'

"(b) The salary of the special assistant to the Secretary of the Treasury in matters of legislation, so long as the position is held by the present incumbent, shall be at the rate of $10,000 a year."

And the Senate agree to the same.

That the House recede from its disagreement to the amendment of the Senate to the title, and agree to the same.

W. R. GREEN,
W. C. HAWLEY,
ALLEN T. TREADWAY,
JOHN N. GARNER,
J. W. COLLIER,
Managers on the part of the House.

REED SMOOT,
CHARLES CURTIS,
DAVID A. REED,
PETER G. GERRY,
PAT HARRISON,
Managers on the part of the Senate.

STATEMENT OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H. R. 7201) to provide for the settlement of certain claims of American nationals against Germany and of German nationals against the United States, for the ultimate return of all property of German nationals held by the Alien Property Custodian, and for the equitable apportionment among all claimants of certain available funds, submit the following written statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate amendment strikes out all after the enacting clause primarily to make unnecessary a large number of separate amendments changing section numbers and cross references. The Senate substitute for the House bill embodies all the major policies of the House bill, and the bill as agreed to in conference, consequently, is substantially the House bill. The essential differences between the House bill and the Senate amendment are as follows:

AUSTRIA AND HUNGARY

The principal change made in the House bill by the Senate amendment is the addition of sections providing for the return of the property of nationals of Austria and Hungary held by the Alien Property Custodian (including their share of the unallocated interest fund), and for the settlement of claims of the United States and its nationals against Austria and Hungary, and of Austrian and Hungarian nationals against the United States. The disposition of the questions involved in regard to these matters became possible only a very short time before the bill was introduced in the House, and there was no opportunity of incorporating suitable provisions in the bill at that time.

The provisions are contingent upon payment by the Austrian and Hungarian Governments of sums sufficient to pay the claims against Austria and Hungary, and the work of the Tripartite Claims Commission has progressed to the point where the amounts necessary can be estimated. Claims of Austrian and Hungarian nationals against the United States are to be settled in a manner similar to that provided in the case of the claims of German nationals. The House recedes.

CLAIMS OF AMERICAN NATIONALS AGAINST GERMANY

Subsection (j) of section 2 of the Senate amendment is a new subsection requesting the President to enter into negotiations with Germany with a view to extending the time for filing claims before the Mixed Claims Commission, so as to give the commission jurisdiction of claims presented before July 1, 1928. In order to prevent undue delay in making pro rata payments on awards where no payment can be made until all awards have been certified, it is provided that awards on account of late claims will be payable under this bill only if the agreement is entered into before January 1, 1929. The House recedes, with an amendment providing for the filing of the American claims with the State Department, rather than presentation to the commission. It will not be necessary to require that claims already filed with the State Department be again filed.

Section 10 of the Senate amendment, dealing with the investment of funds by the Alien Property Custodian, corresponds to section 8 of the House bill. This section adds section 25 to the trading with the enemy act. Subsection (a) of section 25 is amended by the Senate in paragraph (1) to authorize the immediate investment, upon the request of the Secretary of the Treasury, of an amount not to exceed $40,000,000, out of the alien property funds. This amount is a conservative estimate of the aggregate amount of the 20 per cent of alien property temporarily to be retained. Under the section as amended, $40,000,000 will be immediately available for payment of awards of the Mixed Claims Commission and for the other purposes of the special deposit account. Paragraph (2) of this subsection

provides for the necessary adjustments in case the amounts invested under paragraph (1) are too large or too small. The amendment facilitates administration; and the House recedes.

The Senate amendment adds to paragraph (5) of subsection (c) of section 5 of the House bill—section 4 of the Senate amendment—a provision authorizing the Secretary of the Treasury to make partial payments, in his discretion, on awards of the Mixed Claims Commission in excess of $100,000. This amendment will prevent unnecessary delay in making payments on such awards which might otherwise be caused by the consideration of late claims by the commission or of claims not yet adjudicated; and the House recedes.

CLAIMS OF GERMAN NATIONALS AGAINST THE UNITED STATES

The Senate amendment rewrites subsection (a) of section 4 of the House bill—which appears as subsection (a) of section 3 of the Senate amendment—to provide that the arbiter shall be appointed by the President, with the advice and consent of the Senate. The House bill provided for his appointment by the President alone. The House recedes.

The Senate amendment provides for the appointment of a war claims counsel to represent the United States in proceedings before the arbiter. Under the House bill this duty devolves upon the Department of Justice; and the Senate recedes.

Subsection (d) of section 4 of the House bill is amended by the Senate amendment to extend the period of interest to be included in the awards of the arbiter, to include December 31, 1928. It is unlikely that the awards of the arbiter under this section will be certified before that date; and the House recedes.

The Senate amends subsection (d) of section 4 of the House bill to require that the arbiter shall make no award to a German ship claimant until the interest of the German Government, or any member of the former ruling family, if any, in the ship involved has been established by such claimant to the arbiter's satisfaction. If any such interest appears, the arbiter is directed to enter a tentative award accordingly. This award will not be paid but will be applied in satisfaction of the final payments from Germany, on account of the awards of the Mixed Claims Commission. The House recedes.

The Senate amendment, by subsection (c) of section 22, adds to the definitions contained in the House bill a definition of the term "member of the former ruling family." This term is defined to mean (1) the former German Emperor, or the ruler of any constituent state of the German Empire during the war period, or (2) the wife or any child of such person. The House recedes with an amendment to provide that none of the rulers of constituent states shall be included within the definition except the rulers of the Kingdoms of Saxony, Bavaria, and Wuerttemberg (the Emperor being also King of Prussia).

Paragraph (1) of subsection (b) of section 4 of the House bill is amended by the Senate by adding a provision that the findings of the board of survey, appointed under the authority of the joint resolution of May 12, 1917, to appraise the German merchant ships seized by the United States, shall be competent evidence in any proceeding before the arbiter to determine the compensation to be paid any claimant in respect of such ships. This amendment merely carries into the bill the provision contained in the joint resolution; and the House recedes.

The Senate amendment provided for the determination of compensation to be paid for the Tuckerton Radio Station, all the enemy interest in which was sold by the Alien Property Custodian to a private corporation. The House bill provided for the adjudication of claims only in respect of a radio station—the Sayville Station—which was sold to the United States. The Senate recedes.

Section 21 of the Senate amendment is added to provide for the determination of compensation to be paid in the case of two ships seized by the United States which were owned at the outbreak of the war by German nationals who, as a result of a plebiscite under the treaty of Versailles, became Danish nationals. Inasmuch as all the property of nationals in similar circumstances held by the Alien Property Custodian has been returned without limitation, the section provides that the awards for these ships—not greater than the amount received by the United States upon the sale of the vessels, minus the capital expenditures thereon—shall be paid in full and an appropriation is authorized to make such payment. The House recedes with a clarifying amendment.

RETURN OF PROPERTY HELD BY THE ALIEN PROPERTY CUSTODIAN

The Senate amendment provides for the payment of interest on any participating certificate or certificates representing investment of the unallocated interest fund. The Senate recedes.

The Senate amendment to subsection (d) of this section of the trading with the enemy act provides that for the purpose of transfer to the special-deposit account all property shall be deemed to be owned by the German Government if no claim thereto has been filed with the Alien Property Custodian prior to the expiration of six months after the enactment of the act, or if a claim has been filed for the recovery of the property before the end of that period and ownership has not been established by the claimant. The House recedes, with an amendment extending the six-months limitation to one year, and an amendment providing that ownership may be established by suit brought within one year after an adverse decision by the Alien Property Custodian, or within one year after the passage of this act, whichever date is later. This latter provision is necessary in order to afford an ample time for suit in cases where the custodian has heretofore decided the claim.

Subsection (f) of section 25 of the trading with the enemy act dealing with the return of any balance of the retained 20 per cent of alien property after all payments are made from the special-deposit account is amended by the Senate to allow return, in the case of deceased individuals and dissolved partnerships, associations, or corporations, to persons determined by the Alien Property Custodian to be entitled to the property. The House recedes.

Subsections (d) and (g) of section 9 of the trading with the enemy act provide for the return of property in cases where the owner is deceased. The Senate amendment amends these subsections to provide that only so much of the property of a decedent shall be returned to his legal representative for distribution to his heirs or legatees as the decedent himself would have been entitled to if living. Subsection (d) covers the cases of decedents who would be entitled to the return of all their property and allows a complete return to the legal representative regardless of the nationality or citizenship of the heirs or legatees, and provides that this same rule shall apply in cases where applications or proceedings are pending under the existing law. Subsection (g) covers the cases of decedents who would be entitled to the return of only 80 per cent of their property and provides that in any such case not more than 80 per cent may be returned to the legal representative, regardless of the citizenship or nationality of the heirs or legatees. The subsection contains a saving clause reserving to American citizens any rights they may have under the existing law in estates of persons dying before the enactment of the act. The principal change in these two subsections from the corresponding provisions of the House bill is the substitution of the status of the decedent for that of the distributee as the determining factor in making returns. The amendment avoids the complications which arise under the existing law. The House recedes.

In the Senate amendment to subsection (p), added to section 9 of the trading with the enemy act by section 12 of the House bill (section 14 of the Senate amendment), provision is made for the return of property of partnerships, associations, and corporations which have ceased to exist, on substantially the same principles as in the case of deceased individuals. The property of a dissolved corporation, for example, is transferred to the names of the trustees or liquidators of the corporation or of the stockholders, and such successors may proceed for its return in the same manner as such corporation might have proceeded if still in existence and with the same restrictions as would apply to a return to the corporation. The amendment further provides that debts of such successors may be collected out of the property to which they are entitled under this subsection in accordance with the provisions of subsection (a) of section 9. The House recedes.

Subsection (m) is amended by the Senate to provide that property in the hands of the Alien Property Custodian may be sold free of the restrictions of section 12 of the trading with the enemy act limiting sales to American purchasers. The House recedes.

A further amendment to subsection (m) provides for the return in full by the Alien Property Custodian, without the retention of 20 per cent, to the original owner or his legal representative of the property in any trust if the aggregate value thereof does not exceed $2,000. The provision will result in the final disposition and closing out of a large number of small trusts and will accordingly facilitate the administration of the Alien Property Custodian's office. The House recedes.

Section 29, added to the trading with the enemy act by section 13 of the House bill (sec. 15 of the Senate amendment), provides for the waiver or compromise of demands of the Alien Property Custodian for the transfer to him of enemy property. Subsection (b) of this section is amended by the Senate amendment to require the approval of any such waiver or compromise by the Attorney General, and is further amended to allow a complete waiver in cases where all the property would be returnable. Subsection (c) is added by the Senate amendment to provide for full release and waiver of demands by the Alien Property Custodian where the alien has not yet become entitled to the present possession or enjoyment of the

property. Demands are outstanding in some cases where the alien's right is contingent upon events which may never happen or which may not occur for some years. The amendment relieves the Alien Property Custodian from the necessity of seizing such property in the future. The provision does not apply to income for future years which an alien would receive if he now is, or would be, but for the seizure of his interest, receiving the current income from the same property. The House recedes.

Subsection (d), added by the Senate amendment, is a clarifying amendment making it clear that the Alien Property Custodian is not required to waive or compromise demands except in his discretion. The House recedes.

Subsection (e), added by the Senate amendment, provides that all money or property received by the Alien Property Custodian as a result of any suit, whether or not for the enforcement of a demand for transfer of property to him, shall be considered as forming part of the trust in respect of which the suit was brought and shall be returnable as such. This subsection is intended as a clear direction as to the disposition of money or property recovered in suits arising out of the disposition of property seized, the conduct of seized businesses and other transactions of the Alien Property Custodian involving property already seized or transferred to him. The House recedes.

Section 30, added to the trading with the enemy act by the Senate amendment, extends the remedies of creditors of the owners of property held by the Alien Property Custodian. The provisions of the existing law are very limited. The new section allows attachments against the property in the same manner as if the Alien Property Custodian were an individual indebted to the owner to the extent of the value of the property held. The House recedes with an amendment making it certain that the provision allows an attachment for the execution of a judgment or decree and that it does not in any case permit the physical seizure of any money or property.

A second paragraph of section 30 in the Senate amendment further extended the remedies of creditors and provided that the law of the District of Columbia should apply to the determination of claims in certain cases. From this amendment the Senate recedes.

Section 19 of the Senate amendment amends subsection (f) of section 10 of the trading with the enemy act. That subsection provides for the bringing of suits by the owner of a patent, trade-mark, print, label, or copyright, seized or transferred to the Alien Property Custodian, for the recovery of royalties for the period prior to sale by the Alien Property Custodian. Questions have arisen in regard to such suits as to who was the owner of the patent, and so forth, within the meaning of the section, after seizure by the Alien Property Custodian. This amendment provides that such suits shall be held to have been brought by the owner if brought either by the Alien Property Custodian or by the person who was the owner immediately prior to the seizure by, or transfer to, the Alien Property Custodian. The House recedes.

Section 20 of the Senate amendment repeals the proviso of paragraph (19) of subsection (b) of section 9 of the trading with the enemy act. The effect is to remove the restriction against the return of $2,000 each to former enemy insurance companies against which claims had been filed under the section.

Immediately following subsection (d) of section 21 of the Senate amendment appears a provision amending subsection (a) of section 9 of the trading with the enemy act to suspend the right to plead the statute of limitations against a claim or suit to subject property of an insurance company in the hands of the Alien Property Custodian to the payment of losses or damages resulting from the San Francisco fire, and excluding from all the benefits of the act any insurance company against which any suit has been filed within 90 days after the passage of the act. From this amendment the Senate recedes.

Section 31, added to the trading with the enemy act by section 15 of the Senate amendment, carries into that act the same definition of the term "member of the former ruling family" of Germany as is contained in the amendment to the settlement of war claims act. The House recedes with the same amendment as in that case.

Section 24 of the Senate amendment provides that, effective 18 months after the enactment of the act, the office of Alien Property Custodian is abolished, and that all authority, powers, and duties of the Alien Property Custodian are then transferred to the Secretary of the Treasury. From this amendment the Senate recedes.

EXCESSIVE FEES

The House bill authorized the American commissioner of the Mixed Claims Commission to fix fees for services rendered claimants in connection with proceedings before that commission and provided for a fine for the acceptance of fees greater than those so fixed. The Senate amendment required the fixing of fees in every case before the Mixed Claims Commission, the Tripartite Claims Commission, and the arbiter, and in addition to the fine imposed for a violation provided that any person who violated the provisions of the section should be disqualified from practice before the executive departments. The House recedes with an amendment to require the fixing of fees only in case of a request within 60 days after the mailing of a notice to the claimant and imposing as a penalty for a violation a fine of not more than four times the amount of the aggregate fee accepted in lieu of the disqualification provision of the Senate amendment.

TAXES

The House bill provided that the Federal taxes on alien property should be computed in the same manner as if the property had not been seized and should be paid wherever possible out of the funds held by the Alien Property Custodian. The Senate amendment added four qualifications: First, that, in the case of the disposition of capital assets, the rate should not exceed 12½ per cent; second, that the provisions of the laws and regulations relating to involuntary conversion should be applicable; third, that no interest or penalties should be payable by the taxpayer and no interest or penalties should be payable by the Government; fourth, that claims for refund could be filed and assessments made and proceedings started for collection within six months after the date of enactment of the act regardless of the expiration of the ordinary statutory period; and fifth, that tentative returns should be filed and tentative assessments made and that the 20 per cent of property withheld should be retained by the Alien Property Custodian as security for the payment of any deficiency finally determined to be due. The House recedes with an amendment providing for a maximum rate of 30 per cent in lieu of the 12½ per cent fixed by the House bill to apply to the disposition of capital assets, and making certain that the rate applies to partnerships, associations, and corporations as well as to individuals; that the allowance of additional time for filing claims and for making assessments should apply only in cases where the tax liability is changed by the provisions of this section; and, in lieu of the fifth provision, providing that property acquired may be returned prior to a final determination of tax liability, under Treasury regulations which will protect the interests of the Government by making certain that sufficient property is retained to pay the taxes or that a bond is given to secure such payment.

DECLARATION OF POLICY

The Senate amendment strikes out the declaration of policy contained in the House bill. The House recedes.

SALARIES OF LEGISLATIVE COUNSEL AND SPECIAL ASSISTANT TO THE SECRETARY OF THE TREASURY

Section 23 of the Senate amendment increases to $10,000 a year the salaries of Mr. Beaman and Mr. Lee, the legislative counsel of the House and Senate, respectively, and of Mr. Alvord, special assistant to the Secretary of the Treasury. No new offices are created, and the salaries are fixed for the present incumbents only. Inasmuch as existing appropriations are available and adequate for the increases, no additional appropriations are necessary. Exactly similar provisions were contained in section 702 and 703 of the revenue bill (H. R. 1) already passed by the House. These sections were inserted in the revenue bill by the unanimous vote of the Committee on Ways and Means, and the sections were agreed to by the House without an adverse vote. The House recedes.

AMENDMENT OF TITLE

The title is amended by the Senate, in view of the Austrian-Hungarian provisions added to the bill, to read "An act to provide for the settlement of certain claims of American nationals against Germany, Austria, and Hungary, and of nationals of Germany, Austria, and Hungary against the United States, and for the ultimate return of all property held by the Alien Property Custodian"; and the House recedes.

W. R. GREEN,
W. C. HAWLEY,
ALLEN T. TREADWAY,
JOHN N. GARNER,
J. W. COLLIER,
Managers on the part of the House.

Mr. GREEN of Iowa. Mr. Speaker, unless there is some question which some Member desires to ask, I call for a vote.

Mr. CHINDBLOM. Mr. Speaker, will the gentleman yield?

Mr. GREEN of Iowa. Yes.

Mr. CHINDBLOM. First, I want to compliment and congratulate the conferees on the part of the House, as well as of the Senate, upon the final termination of this long-drawn-out legislation. I have read and examined the report very carefully, and I think a very admirable piece of work has been done. I regret, of course, that the declaration of policy had to go out. However, the very distinguished other body recently found it necessary to abandon a declaration of policy with reference to our merchant-marine operations, and perhaps they became a little afraid of making declarations of permanent policy.

I have only one question, and that is with reference to the change of the rate of the tax to be collected upon capital assets, that change being from 12½ per cent to 30 per cent. Will the collection of that tax as to partnerships, associations, and corporations be made in the same manner as under the present revenue act?

Mr. GREEN of Iowa. This amendment applies to the old taxes under the excess-profits provisions as well as other taxes upon gains from the sale of capital assets. Inasmuch as the Government had taken over this property and it was converted involuntarily upon the part of the owners of it who did not desire to sell it but wanted to keep it the Senate provision limited the rate on capital assets to 12½ per cent, carried in the present law. The House provision was ambiguous and some of the House conferees, including myself, believed that where the Government, of its own accord, converted the property, it ought not to be subjected to excessive rates, but in conference we were obliged to compromise. I shall have to admit that the 30 per cent carried in the bill is not a very logical figure. It is an arbitrary figure really. It is a compromise between what the Senate had in its amendment and the House provisions, which in some cases might have subjected these parties who had their property converted against their will to possibly a 60 or 65 per cent tax or even more.

Mr. GARNER of Texas. Mr. Speaker, will the gentleman yield?

Mr. GREEN of Iowa. Yes.

Mr. GARNER of Texas. Is the gentleman from Illinois [Mr. CHINDBLOM] objecting to the increase in the rate from 12½ per cent to 30 per cent? If he is, I call his attention to the fact that the Committee on Ways and Means had this bill under consideration for a considerable length of time at the last Congress, as well as in this Congress, and did not put any limitation whatever upon it.

Mr. CHINDBLOM. I did not intend to make any objection to the amount. I do not recall from the reading of the bill whether that is the maximum which is to be applied by graduation, similar to the plan applicable to the surtaxes.

Mr. GARNER of Texas. This 30 per cent is applied to all taxes due from the German claimants upon gains from the sale of capital assets, of whatsoever kind and nature, whether the tax ran into the brackets of the income tax to the extent of 63 per cent, as the brackets went at that time, or was specifically a capital asset tax or an excess-profits tax. Any of those taxes will be limited to 30 per cent, and under the House bill they would have gone in one instance, I think, to 63 per cent. So I do not think anyone who favored the House bill could possibly complain of the increase from 12½ per cent to 30 per cent.

Mr. CHINDBLOM. I am not complaining. I simply wanted to know how it was to be applied. Then, I understand the taxes are to be fixed in accordance with the law in force at the time when they became due?

Mr. GARNER of Texas. Exactly.

Mr. CHINDBLOM. And that in the event the tax exceeds 30 per cent, it shall be reduced to 30 per cent.

Mr. GARNER of Texas. That is correct.

Mr. CHINDBLOM. That is what I wanted to make clear.

Mr. GARNER of Texas. While I am on my feet, permit me to express my appreciation of the gentleman's compliment to the committee on conference. I think a greater compliment possibly is the fact that the House seems to be entirely satisfied with the work of the conference committee.

Mr. GREEN of Iowa. Mr. Speaker, I ask for a vote.

The SPEAKER. The question is on agreeing to the conference report.

The conference report was agreed to.

ERADICATION OF PINK BOLLWORM

Mr. MADDEN. Mr. Speaker, I ask unanimous consent for the present consideration of House Joint Resolution 223, which I send to the desk and ask to have read.

The Clerk read as follows:

Resolved, etc., That to enable the Secretary of Agriculture to meet an emergency caused by a serious outbreak of the pink bollworm of cotton in western Texas, and to prevent its spread to other parts of Texas and to adjoining States, including the same objects and under the same conditions specified under the heading "Eradication of pink bollworm" in the agricultural appropriation act for the fiscal year 1928, there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the additional sum of $200,000, to remain available until June 30, 1929.

Mr. MADDEN. Mr. Speaker, the Appropriations Committee will in a few minutes report the agricultural appropriation bill for the fiscal year 1929. In that bill there is carried for the eradication and control of the pink bollworm of cotton throughout the United States, $687,000. It is very important that some of that money be made immediately available, because the earlier we begin to eradicate the more certain it is that the work will be well done. It is proposed by the introduction of this resolution to give them the money in advance of the item in the bill becoming a law. When the bill comes up for consideration in the House this $200,000 carried in this resolution will be deducted from the amount carried in the appropriation bill for 1929.

Mr. HUDSPETH. Mr. Speaker, will the gentleman yield?

Mr. MADDEN. Certainly.

Mr. HUDSPETH. So far the only pink bollworm discovered is in the district that I represent. How will this be expended?

Mr. MADDEN. It will be expended under the direction of the Agricultural Department. Mr. Marlatt is already on the ground.

Mr. HUDSPETH. In conjunction with the State authorities?

Mr. MADDEN. Yes; just as it has always been.

Mr. CRISP. Mr. Speaker, will the gentleman yield?

Mr. MADDEN. Yes.

Mr. CRISP. Do the hearings before the gentleman's committee disclose the extent of the ravages of this pink bollworm, over how large an area?

Mr. MADDEN. It is about 350,000 acres as near as I can gather.

Mr. SNELL. In that section of the country?

Mr. MADDEN. Yes; in spots. It is not universal. Possibly it affects 350,000 acres. It is in New Mexico, Arizona, and Texas.

I would like to ask, Mr. Speaker, in order that there may be furnished a full explanation of the whole matter, unanimous consent to extend my remarks by printing two statements that I have here.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Following is the statement referred to:

MEMORANDUM RE COTTON PINK BOLLWORM EMERGENCY

A situation has arisen in western Texas which constitutes such a serious danger to the cotton producers of the United States and requires for its relief such prompt action that it seems necessary to call the emergency to the particular attention of Congress.

The cotton pink bollworm, one of the most serious cotton pests of the world, wreaking havoc with the cotton crop of India, Egypt, parts of Mexico, and other countries, has made its way across the border into the United States at various times in the past 10 years, and such outbreaks have been the subject of successful eradication measures. From 1921 until the present season no specimens have been found in the main Cotton Belt of the United States, and active and persistent efforts by all agencies have kept the infestation limited to the isolated plantings of the arid regions of the Southwest and to a narrow strip along the Mexican border in western Texas.

Within the past few weeks this pest, which ranks with the boll weevil in damage to the cotton crop, has been found at one point after another along the western border of the continuous cotton culture in west-central Texas. The first discovery was at Odessa, in Ector County, and all the scouting forces of the United States Department of Agriculture were promptly concentrated in that section of the Cotton Belt. As a result, the pest has now been found in seven counties—Ector, Midland, Martin, Andrews, Glasscock, Howard, and Dawson—containing a total cotton acreage of more than 350,000 acres.

The presence of the pink bollworm in this region threatens to impose another burden upon the cotton producers of the Southern States. If the producers must fight both the pink bollworm and the Mexican cotton boll weevil, which is now known through almost the entire Cotton Belt, they will have more serious insect problems to face than any other cotton-producing region in the world.

To meet this serious emergency the department, on January 27, 1928, transmitted a supplemental request to the Bureau of the Budget, and the Budget approved a supplemental recommendation of $400,000 for the purpose. It was believed that the department could cope with the situation if a part of this sum were to be made immediately available upon the passage of the agricultural appropriation bill. At that time, the infestations in Howard and Dawson Counties had not been discov-

ered, the cotton acreage in those counties being very much larger and more continuous than in the others known to be infested.

The extra expense of scouting which was necessary in order to find these new infestations, together with active clean-up operations which the department has been carrying on in the scattered plantings of southeastern Arizona and southwestern New Mexico, have so depleted the available funds that there is not a sufficient amount on hand to conduct the clean-up operations and eradication measures required.

In order to prevent the establishment of the pink bollworm in new localities, several different operations will be necessary. The pest, unfortunately, remained undiscovered in these areas in Texas until nearly the entire crop had been ginned and much of the lint and seed distributed, without restriction. The insects normally pass the winter in cottonseed and such seed is now present in gins and oil mills in large quantities. Thorough clean-up must be given to such gins and *mills and all* the seed sterilizer, fumigated, or crushed. Large amounts of it have been shipped to oil mills outside the infested areas, and the premises of such oil mills must also be thoroughly cleaned up after the shipments have been traced to destination. Practically all of the cotton lint has been baled and shipped and all such shipments must be traced in order to prevent the establishment of infestations at their various destinations.

This work can not wait until funds can be made available with the passage of the regular agricultural appropriation bill. Within the next few weeks some of the seed may be planted and will then be beyond reach. One of the surest ways of spreading such an infestation and establishing the insect in new localities consists of the shipment and planting of infested seed, and in the past several outbreaks have been discovered and promptly eradicated by the method of tracing cotton-seed shipments from infested areas.

Owing to the large territory affected and the size of the cotton crop in the infested counties and also to the fact that the adult moths into which the pink bollworms develop will soon start emerging, this entire program must be undertaken without delay and completed in the shortest possible time. According to telegraphic advices received from the Governor of Texas, and confirmed by representatives of the United States Department of Agriculture, every slight delay in starting these operations increases the danger of the permanent establishment of the pink bollworm in the regions now found to be infested, threatens its distribution into new localities, and reduces the possibility of its total eradication.

MEMORANDUM FOR MR. MADDEN

The pink bollworm of cotton is the most destructive cotton pest in the world. In all cotton countries where it has become established it destroys from 25 to 75 per cent of the cotton, according to climatic and other conditions.

In 1921 it appeared in several places in Texas and Louisiana. By prompt action of Federal cooperation with the States of Texas and Louisiana the pest was completely eradicated. Since then the pest has not appeared in these areas or any other place in the United States except along the Texas-Mexican border.

Between the infested Texas-Mexican border and the main producing cotton belt of Texas there is a broad stretch of semiarid noncotton-producing land, and it was thought that this pest could not get across this stretch of land into the main cotton-producing areas of Texas.

Recently, however, the pest has been found and definitely identified in seven counties of midwestern Texas, in which a large area of cotton is planted and which connects up with the main cotton-producing area of Texas and all the South. These counties are Ector, Midland, Martin, Andrews, Glasscock, Dawson, and Howard, with a probable area planted in cotton of more than 350,000 acres.

When it was definitely ascertained that the pink bollworm had infested four of these counties the department recommended to the Bureau of the Budget, and the Budget approved, a supplementary estimate of $400,000; add to this the regular Budget estimate of $289,000, makes a total of $689,000 recommended by the Budget for the control and eradication of this pest.

Since this supplementary estimate of $400,000 was sent to the House by the Budget the pest has been found in the two additional counties of Howard and Dawson.

Realizing the gravity of the situation, Dr. C. L. Marlatt, Chief of the Bureau of Entomology, United States Department of Agriculture, went to and is now in the infested areas in Texas, and on the 28th of February replied to a wire from Congressman BUCHANAN as follows:

"Clean-up of gins and regulation of cotton and seed should begin at once in west Texas area. Can the amount which is to be made immediately available be released for use now by joint resolution of Congress? Urgency fully warrants such action."

The pink bollworm reproduces itself by laying its egg in the cotton-seed, and, unfortunately, the new infestations in the seven counties of Texas adjoining the main cotton-producing region was not discovered until after the entire cotton crop had been gathered, ginned, and distributed throughout that section without any restriction or regulations.

Therefore in order to hold this destructive insect to the new infested areas it becomes necessary not only to commence a clean-up campaign at once of all gins, oil mills in the infested region, but to trace all shipment of seed and cotton from the infested areas to its destination before the next planting season, which commences during March, and to see to it that no seed from the infested region is planted to produce another crop without proper chemical treatment.

This creates the imperative necessity that a portion of the above-mentioned appropriation be made available at once, so that the work can be immediately undertaken. To do otherwise would be taking the chances of having this destructive cotton pest scattered over millions of acres of cotton-producing area of Texas. The Federal funds available for this work this fiscal year have been practically exhausted, and are sufficient only for scouting work to determine the limits of the present infestation.

If $200,000 of the $689,000 recommended in the Agricultural bill is made immediately available by joint resolution, and the department thereby enabled to strike in time to prevent the spread of infestation into new areas, it will save both Federal and State Governments many millions of dollars.

The regular appropriation bill will probably not become a law until the middle of April, when many acres of cotton will be planted with infested seed, and that, too, in uninfested areas.

Mr. HUDSPETH. Mr. Speaker, I ask unanimous consent to extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. HUDSPETH. Mr. Speaker and gentlemen of the House, the resolution just called up by Chairman MADDEN of the Appropriations Committee, making available $200,000 immediately for the eradication of the pink bollworm, is a matter of great moment to the farmers and a large number of the people in the district I represent. It has been brought to my attention that the destructive pest, the pink bollworm, has been discovered in a number of counties in my district. There was a meeting held on day before yesterday at Sweetwater, at which large numbers of farmers were present, also the Texas Pink Bollworm Commission and our governor, to discuss the situation. It is a grave one. My friend and colleague Mr. BUCHANAN, a member of the Appropriations Committee and chairman of the Texas delegation in Congress, called a caucus of the Texas Members the latter part of last week. I was present, and the matter was thoroughly gone over. I called attention to the fact that there was placed in the regular appropriation bill $600,000, to be used by the Federal Government to aid in cleaning up the pink bollworm, but it would not be available until July 1; that so far the only pink bollworm discovered in Texas was in the district I represent—the sixteenth; therefore a sum sufficient ought to be made immediately available to commence to combat this great menace to the cotton growers. Hence Mr. BUCHANAN, ever alert in the interest of the welfare of the farmer, conferred with his chairman and aided greatly in bringing forth this important emergency appropriation, which will enable Doctor Marlatt, Chief of the Bureau of Entomology, who also is ever alert and efficient, to join with our State authorities in stamping out this great menace.

Mr. Speaker, I desire here and now to thank the chairman and my colleague and other members of the Appropriations Committee for their prompt work, which means much to the cotton growers in the infested area of my district, whether a regulated zone is established by the Texas Pink Bollworm Commission or a noncotton zone in some localities.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

CALL OF COMMITTEES

The SPEAKER. The Clerk will call the committees.

The Clerk called the Committee on Coinage, Weights, and Measures.

MEDAL FOR COL. CHARLES A. LINDBERGH

Mr. PERKINS. Mr. Speaker, I call up House Joint Resolution 192, to provide for the coinage of a medal in commemoration of the achievements of Col. Charles A. Lindbergh.

The SPEAKER. The Clerk will report it.

The Clerk read as follows:

Joint resolution (H. J. Res. 192) to provide for the coinage of a medal in commemoration of the achievements of Col. Charles A. Lindbergh

Resolved, etc., That in recognition of the achievements of Col. Charles A. Lindbergh, the Secretary of the Treasury is authorized and directed to cause to be struck and presented to Col. Charles A. Lindbergh a gold medal with suitable emblems, devices, and inscriptions to be determined by the Secretary. For such purpose there is authorized to be appropriated the sum of $1,500.

SEC. 2. The Secretary of the Treasury shall cause duplicates in bronze of such medal to be coined and sold, under such regulations as

he may prescribe, at a price sufficient to cover the cost thereof (including labor), and the appropriations used for carrying out the provisions of this section shall be reimbursed out of the proceeds of such sale.

Mr. PERKINS. Mr. Speaker, I ask unanimous consent that the resolution may be considered in the House as in Committee of the Whole.

The SPEAKER. The gentleman from New Jersey asks unanimous consent that the resolution be considered in the House as in Committee of the Whole. Is there objection?

There was no objection.

Mr. PERKINS. Mr. Speaker, this is a joint resolution providing for a gold medal for presentation to Col. Charles A. Lindbergh in commemoration of his achievements. It authorizes the Secretary of the Treasury to strike such an emblem and is in line with many other House resolutions in which medals have been minted to commemorate great events or great personalities.

I might say, however, that in this particular instance the resolution has the full approval of the Secretary of the Treasury, who has said there can be no objection to its issuance—

for in this way the very cordial sentiment of deep regard for Colonel Lindbergh might be given expression—

And—

the purchase of the medal by the public would be a compliment to Colonel Lindbergh without ulterior purpose.

The committee's report on this resolution is unanimous. It has not been felt necessary, nor do I consider it so, to extol Colonel Lindbergh's achievements at this time. No young man in America has made himself better known; none in our generation has been so lauded and praised for his heroic and deserving efforts. His quiet modesty in the face of world-wide flattery and his gentle humility have merited for him the commendation of his country, and this resolution is but in added emphasis of this.

Attached to the committee report, or made a part of its hearing on this resolution, may be found a list of medals struck by the Treasury Department under similar acts. There can be no question, and I am sure there will be no argument, as to the merit of this resolution. I ask that it be adopted unanimously by the House.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

On motion of Mr. PERKINS, a motion to reconsider the vote whereby the resolution was passed was laid on the table.

STANDARD WEIGHTS AND MEASURES FOR GRIST-MILL PRODUCTS

Mr. PERKINS. Mr. Speaker, I call up the bill (H. R. 9040) to establish a standard of weights and measures for the following wheat-mill, rye-mill, and corn-mill products, namely, flours, semolina, hominy, grits, and meals, and all commercial feeding stuffs, and for other purposes.

The SPEAKER. The Clerk will report the bill.

The Clerk read as follows:

A bill (H. R. 9040) to establish the standard of weights and measures for the following wheat-mill, rye-mill, and corn-mill products, namely, flours, semolina, hominy, grits, and meals, and all commercial feeding stuffs, and for other purposes

Be it enacted, etc., That the standard of weights for the following wheat-mill, rye-mill, and corn-mill products, namely, flour, semolina, hominy, grits, and meals, and all commercial feeding stuffs shall be 100 pounds avoirdupois, and the standard measure for such commodities, when the same are packed for sale, shipped, sold, or offered for sale in packages of 5 pounds or over, shall be a package containing net avoirdupois weight 100 pounds, or a multiple of 100 pounds, or one of the following fractions thereof, 5, 10, 25, or 50 pounds; and, in addition, for wheat flour, rye flour, semolina, and corn flour only, 140 pounds; and for commercial feeding stuffs only, 60 or 80 pounds; each of which packages shall bear a plain, legible, and conspicuous statement of the net weight contained therein.

SEC. 2. The standard package for the following wheat-mill, rye-mill, and corn-mill products, namely, flours, semolina, hominy, grits, and meals, and all commercial feeding stuffs, when the same are packed, shipped, sold, or offered for sale in packages of 5 pounds or over, shall be those containing net avoirdupois weight 100 pounds, or multiples of 100 pounds, or the following fractions thereof, 5, 10, 25, and 50 pounds; and, in addition, for wheat flour, rye flour, semolina, and corn flour only, 140 pounds; and for commercial feeding stuffs only, 60 and 80 pounds.

SEC. 3. It shall be unlawful for any person, firm, corporation, or association to pack or cause to be packed for sale, to ship or offer for shipment, or to sell or offer for sale, the following wheat-mill, rye-mill, or corn-mill products, namely, flours, semolina, hominy, grits, and meals, or any commercial feeding stuffs in packages of 5 pounds or over, which, when in original unbroken package form, shall not be one of the standard measures established in section 2 hereof, and bear a plain, legible, and conspicuous statement of the net weight contained therein; and any person, firm, corporation, or association guilty of a violation of the provisions of this act shall be deemed guilty of a misdemeanor and be liable to a fine not exceeding $500. By the term "original unbroken package form," as used in this act, is meant any form of original package or carton or other container made or prepared to contain products for sale in such original package or other container, and purporting to contain any specific weight or measure: *Provided*, That sale of irregular broken lots by actual weight shall not be unlawful.

SEC. 4. The provisions of this act shall not apply to packages of the following wheat-mill, rye-mill, or corn-mill products, namely, flours, semolina, hominy, grits, or meals, or any commercial feeding stuffs when intended for export to any foreign country and packed according to the specifications or directions of the foreign purchaser, agent, or consignee; but if said wheat-mill, rye-mill, or corn-mill products, namely, flours, semolina, hominy, grits, or meals, or any commercial feeding stuffs shall, in fact, be sold or offered for sale for domestic use or consumption, then this exception shall not exempt said articles from the operation of any of the other provisions of this act: *Provided, however*, That when packages of said wheat-mill, rye-mill, or corn-mill products, namely, flours, semolina, hominy, grits, or meals, or any commercial feeding stuffs originally intended for export, have been packed in the packages customarily used in any foreign country, and it becomes necessary to offer these for sale or to sell them for domestic use or consumption, then such export packages may be sold for domestic use or consumption by special contract, if approved by the Secretary of Agriculture.

SEC. 5. Rules and regulations necessary for the enforcement of this act, not inconsistent with the provisions hereof, shall be made by the Secretary of Agriculture, and said rules and regulations shall include reasonable variations or tolerances which may be allowed.

SEC. 6. It shall be the duty of each district attorney to whom satisfactory evidence of any violation of this act is presented to cause proper proceedings to be instituted and prosecuted in a United States court having jurisdiction of such offense.

SEC. 7. This act shall not be construed as repealing the act of July 28, 1866 (ch. 301, Rev. Stat. U. S., secs. 3569 and 3570), authorizing the use of the metric system, but such sections shall not be construed as allowing the packing, shipping, or offering for shipment, the sale or offering for sale, of packages of any size other than those established as standards herein.

SEC. 8. This act shall be in force and effect one year from and after the passage of this act.

Mr. PERKINS. Mr. Speaker, I ask unanimous consent that the bill may be considered in the House as in Committee of the Whole.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

The SPEAKER. The gentleman from New Jersey is recognized.

Mr. PERKINS. Mr. Speaker, this may be termed a standardization bill. It is familiar to most of the Members of the House, as it has been given approval on this floor on two previous occasions. It passed the House unanimously on February 5, 1923, as well as in 1919.

The purpose of the bill is to establish a standard for bags and containers of certain flours—rye-mill, wheat-mill, and corn-mill products—as outlined in the bill, as well as multiples thereof and fractions of 50, 25, and 12½ pounds. It does not apply to any package under 5 pounds.

The bill has the approval of the departments of agriculture of three-quarters of the States. It is designed to simplify and reduce the number of packages now in use. It has a direct meaning to the millers, because under the present system the standard of weights and measures in these products is regulated by State laws, and inasmuch as there are 48 States, there are practically 48 different standards at the present time.

The bill is asked for particularly by millers who have to carry large assortments of bags and containers. It is difficult for a miller in one State to ship into another State on account of these different regulations. The evidence before the committee has shown innumerable instances where perfectly innocent shipments, entirely proper and legal under the law as to such shipments, contravened the laws in States into which they were shipped.

The bill also has another aspect. At the present time flour and other food products are sold in bags of 96 pounds, 49 pounds, 24½ pounds, and 12½ pounds, and under the existing system the ordinary housewife in buying flour may think she is getting 25 pounds, when, as a matter of fact, she is getting only 24½ pounds.

Mr. DYER. Mr. Speaker, will the gentleman yield?

Mr. PERKINS. Yes.

Mr. DYER. How does this compare with the action of the States which have acted upon the subject?

Mr. PERKINS. This, in effect, indirectly, will repeal all State laws governing these standards and measures.

Mr. DYER. How is the gentleman able to make that statement, that this act will repeal State laws?

Mr. PERKINS. I should not say directly repeal, but under the Constitution of the United States the Congress is given power to regulate standard weights and measures. There is a crying need under the prevailing circumstances for a general standard.

If the gentlemen of the House will take the trouble to refer to the committee hearings, they will find annexed thereto a statement—in fact, also annexed to the report of the committee—showing the great variety of standards used throughout the different States. I do not desire to take the time of the House to read them, but on page 6 of the committee report, Exhibit A, it will be found that out of the 48 States there are practically no two States that agree on the standards fixed by this bill, and no two agree with each other. There is at the present time the greatest confusion existing throughout the Union in this regard.

We all know it is possible to carry this general idea of standardization too far, and it is well that we should carefully scrutinize every bill to see if this is done. In this instance, however, your committee feels much great good will result from this standardization, and it is respectfully urged that it be passed.

The SPEAKER. The time of the gentleman from New Jersey has expired. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. PERKINS, a motion to reconsider the vote by which the bill was passed was laid on the table.

DEPARTMENT OF AGRICULTURE APPROPRIATION BILL

Mr. DICKINSON of Iowa, from the Committee on Appropriations and by direction of that committee, reported the bill H. R. 11577, making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1929, and for other purposes, which was read a first and second time and with the accompanying papers ordered printed and referred to the Committee of the Whole House on the state of the Union.

Mr. GARRETT of Tennessee. Mr. Speaker, I reserve all points of order.

Mr. DICKINSON of Iowa. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of H. R. 11577, making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1929, and for other purposes.

Mr. BLANTON. Mr. Speaker, this important big supply bill has just been introduced at the desk, and will not be printed until to-morrow, and it is not available now to Members. How much time is the gentleman going to have for general debate?

Mr. DICKINSON of Iowa. General debate will continue this afternoon and a part of to-morrow, so that there will be plenty of time to secure copies of the bill.

Mr. BLANTON. Then this bill will not be read under the five-minute rule until day after to-morrow?

Mr. DICKINSON of Iowa. We might read a little of it to-morrow, if there is not too much of a demand for general debate.

Mr. BLANTON. This bill will not be available until to-morrow morning? It will be printed to-night.

Mr. DICKINSON of Iowa. The committee prints are available now and the hearings are available now.

Mr. BLANTON. But they are few in number. Does not the gentleman realize we are further advanced right now than we have ever been in any Congress before on the supply bills? We are almost through now.

Mr. DICKINSON of Iowa. Oh, no. There is the naval appropriation bill.

Mr. BLANTON. It is the next to the last one besides the deficiency bill?

Mr. DICKINSON of Iowa. No; then there is the legislative bill. There are two regular bills and one deficiency bill yet to be reported to the House.

Mr. BLANTON. The naval bill is next to the last one, the legislative bill besides, of course, the final deficiency bill. We are further advanced than we have ever been. What is all this hurry about?

Mr. DYER. We want to get home.

Mr. DICKINSON of Iowa. We want to get away.

Mr. BLANTON. You are not going to get away until the middle of May anyway. You are going to have to wait on the other body, because they have had a tentative understanding over there that they are going to adjourn on May 16, I have heard, so after all you are not going to get away until May 16. Therefore, why all this hurry?

I merely want to be sure of sufficient time to check this bill up with former bills and the law.

Mr. DICKINSON of Iowa. We want to get all of the bills into the hands of the Senate so there will be no handicap so far as the House is concerned.

Mr. Speaker, I ask unanimous consent that general debate be continued this afternoon, with the time equally divided between the gentleman from Texas [Mr. BUCHANAN] and myself. We will try to agree to-morrow upon the time for the conclusion of general debate.

The SPEAKER. The gentleman from Iowa asks unanimous consent that general debate for to-day be controlled equally by the gentleman from Iowa [Mr. DICKINSON] and the gentleman from Texas [Mr. BUCHANAN]. Is there objection? [After a pause.] The Chair hears none. The question is on the motion of the gentleman from Iowa.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 11577) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1929, and for other purposes, with Mr. TREADWAY in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 11577, which the Clerk will report by title.

The Clerk read the title of the bill.

Mr. DICKINSON of Iowa. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. The gentleman from Iowa asks unanimous consent that the first reading of the bill be dispensed with. Is there objection?

There was no objection.

Mr. DICKINSON of Iowa. Mr. Chairman, I yield 30 minutes to the gentleman from Utah [Mr. COLTON].

Mr. COLTON. Mr. Chairman, the United States furnishes the greatest example in the world of the absentee landlord. It has been estimated that the public domain consisting of about 194,000,000 acres of land, has a potential value of $26,000,000,000. This great area which has such a stupendous value is the property of the people of the United States and over which we exercise no particular supervision and concerning which we have no definite policy.

Mr. MORTON D. HULL. Will the gentleman repeat the figures as to the number of acres and the value of them?

Mr. COLTON. In referring to the public domain, I am speaking of that land which is not in any permanent reserve, just the public domain belonging to the United States over which there is no control or regulation or supervision. There are about 194,000,000 acres of such land left, and it is estimated by the Secretary of the Interior that it has a potential value of $26,000,000,000.

There are some of my colleagues and many of the inhabitants of the Western States who believe that these lands should be ceded to the States. I do not care to enter into a discussion of this phase. We are being confronted by a condition and not a theory. Under our laws as interpreted by our Supreme Court these lands belong to the Federal Government and Congress has the sole right to dispose of them in any manner it may see fit.

I believe that Congress has been derelict in defining a policy for the regulation and control of these lands. Surely we should not put off longer this important duty. In the 11 public-land States the public domain equals one-fourth of the total area; one-third of the total range area of the United States is in those States. The livestock industry of the 11 far Western States with 7,452,000 beef cattle; 25,066,000 sheep; 4,500,000 horses, mules, goats, and dairy cattle, has a valuation of $870,000,000.

Seventy per cent of all of the feed for this livestock is furnished by range lands as native pasturage. Over one-third of the gross farm income of these far Western States is from livestock. For the stable, efficient, and profitable production it is necessary to assure a satisfactory and permanent coordination between feed produced on ranges and that on different range areas.

This public domain equals more than one-third of the area in cultivation in the entire United States. It equals one-tenth of the entire land area of our country. It is largely arid or semiarid; mostly having an annual rainfall of 20 inches or less. It is too dry for profitable crop production. The vegetation on these lands at best is scant and the public grazing as

an asset is being rapidly dissipated through lack of control and regulation.

While this land furnishes 10 per cent of the feed for all of the livestock in the 11 Western States, yet estimates made by experts indicate that these lands are producing only about 50 per cent of their capacity. It is used mostly for grazing in fall, winter, and spring, although some parts are grazed the entire year.

May I pause here to say that many of the figures which I am using, and, indeed, much of the material I am using, has been furnished me by the Forest Service of the United States. I want to give this credit without any further and particular reference.

More than 20 years ago the Government formulated definitely a policy with reference to a part of its public domain by creating the national forests and regulating the grazing thereon. I believe we have now reached a stage where the use of our public ranges outside of the forests should be made a matter of Federal statute. Under the present conditions the established stockmen and home builders have no protection for the public domain which they have to use to make their operations a success and provide a living for their families.

Under the wise provisions of our land laws men have gone out in the Western States and have made homes for themselves and families with the understanding that they had a right to graze on the public domain.

From time immemorial the right to graze upon public lands has been recognized. I still believe in that right, and the time has come when these home builders and home owners must be protected. In order to afford that protection, I believe that Federal regulation offers the only solution and points the only way that protection can be afforded the home builder. Now, an outsider without ranch property or other obligation may go on our ranges at will with his livestock at any time, eat the feed, and pass on, leaving the home-builders' stock to starve or be cared for in some other way. He is forced, as a protection against the tramp stockmen, to graze his range land closer than he would otherwise do. He can not reserve a part of the range for emergencies or for the critical periods of the year. In fact, he can not exercise any of the rights and privileges usually given to stockmen on the forest reserves.

It has been fully demonstrated that where animals were under control in privately owned pastures and even on forest reserves the eradication of disease has been entirely practicable. While at the same time, in contiguous open ranges, vast herds have perished as a result of these diseases and their owners have been practically ruined.

A former tax commissioner of my State, well acquainted with conditions there, states that a part of the public domain will not support one-tenth the livestock it once did.

According to information furnished by the Forest Service, valuable grass types in Montana have deteriorated into a rabbit bush—yellow brush—weed type, supporting but a scant stand of valuable range plants, and now require five to six times as many acres to support a cow as formerly.

The 9,000,000 acres of semidesert type of range in Arizona which is largely public domain has been so badly depleted of its perennial grasses and palatable browse plants that it is practically worthless for year-long grazing and is very uncertain for winter use. It now requires 150 to 200 acres or more to support the equivalent of a cow year long in place of the 50 acres required on this type within the Santa Rita Range Reserve under experimental management.

So, may I say I am not pleading for something visionary. I am only asking that we shall pass a law and put into practical operation that which has been demonstrated can be done, and bring our range lands back to their full productivity.

The 5,500,000 acres of unappropriated public domain with their intermingled State and private lands which lie within the mesa and foothill portion of Arizona will seldom support livestock at a rate of less than 80 to 90 acres per cow year long. This same type of range under conservative grazing on the Santa Rita Range Reserve has carried cattle year long at the rate of less than 25 acres per cow for the last 12 years.

Every acre of grazing land that is not producing forage to its full capacity is a money loss. These ranges must, therefore, not only be perpetuated but they should be made to produce forage to the limit. The national forests in many of the States have a carrying capacity of about one cow unit for each 20 acres of land for a six months' grazing period. By a cow unit is meant one mature cow or the equivalent thereof in sheep, and this is somewhere in the neighborhood of five or six sheep for one cow unit. The public domain has a carrying capacity considerably less than that of the present national forests.

There is located near Ephraim, Utah, a Great Basin Experiment Station for range management, conducted by the United States Department of Agriculture. They have given some attention to this problem and have estimated about 40 acres of land for each cow unit for six months' grazing period. It is believed that on the average, animals can graze approximately six months on the summer ranges in the national forests and about six months on the winter ranges, which are almost entirely public domain.

Tests at the Great Basin Experiment Station have shown that overgrazed grasses are usually a month to six weeks later starting growth than good vigorous plants of the same species. Too close and too frequent cropping of forage plants in my State gave a production during three years of only 24 per cent of that from plants cropped twice during each season.

In the third year the heavily cropped plants produced only 7 per cent as much forage as the plants cropped twice.

The work done at the Great Basin Experiment Station at Ephraim, Utah, proves conclusively that regulated grazing is not detrimental to the land but that overgrazing is not only detrimental to the land but destroys the forage. Interesting experiments at that station show how nature rebuilds the vegetation on the land if given an opportunity. The earlier crops are not nutritious and therefore many of the cattle and horses feeding on these lands die of malnutrition. It is only after from 5 to 10 years that overgrazed lands may be brought back to 100 per cent of their productivity. Similar results have been obtained in Arizona, New Mexico, and other Western States.

Ten representative cattle outfits on public domain ranges similar to the Santa Rita range reserve in Arizona had an average calf crop from 1916 to 1925 of but 53 per cent, an average death loss of 10 per cent, and suffered a 5.8 per cent loss annually on an investment of $55 per cow. (See contrasting statement for Santa Rita below.)

Drought takes heavy toll from public domain ranges. Death losses from cattle in the Southwest on uncontrolled ranges have been as high as 30 to 50 per cent of cattle in some herds in a single year. In 1924, a drought year, many cows in southern Arizona had to be sacrificed at $16 or less a head, some with calves, and buyers refused to take the poorer animals, cutting back as high as 50 per cent of those offered for sale so that many of them had to be left on the range to die of starvation. At the same time cull cows in good condition were sold from the Santa Rita range reserve, a similar type of range but regulated and conservatively grazed for beef, at $35 a head and calves brought an average of about $20.

The public domain together with the uncontrolled intermingled State and private lands form a considerable part of the watersheds which supply water for the 19,000,000 acres irrigated.

The additional erosion resulting from depletion of the perennial grasses which are the main soil binding plants is an important factor in the silting and shortening of the life of irrigation and livestock reservoirs. Some irrigation reservoirs are silting up at a rate of 1 per cent or more of their capacity yearly. Thirty representative large livestock watering reservoirs silted up at the rate of 1 foot a year, giving them a life of less than 15 years.

Heavy rains falling on depleted lands cause rapid run-off and floods which tear out roads, bridges, and other public works, cover farm lands with a blanket of sand and gravel and fill the beds of navigable rivers.

Depletion of soil fertility by erosion is seriously endangering future productivity of the land.

The Jornada Range Reserve was fenced in 1912, then typical open public domain. By 1916 it had four times as much density of valuable grasses as adjoining uncontrolled public-domain range. Both areas were seriously affected by drought after 1916. By 1924 the controlled range on the reserve had decreased to where it supported slightly less than half of its maximum density, but the uncontrolled range at that time supported but 6.75 per cent as much forage as the controlled range. In 1927, following two good years of growth, the controlled range was again back to its maximum; the uncontrolled range had failed to recover noticeably and was covered essentially by worthless, poisonous, and low-value vegetation.

At the United States sheep experiment station in Idaho the controlled range is now approximately 20 per cent better than a similar adjoining open public domain; both areas have been grazed during fall, winter, and spring each year with sheep.

Deferred and rotation grazing applied to a regulated range in Wyoming resulted in an increase of 100 per cent in the vegetative cover in three years, a greater increase than occurred on an area totally protected from grazing—Hayden National Forest experiments.

On the Jornada Range Reserve in New Mexico the average annual calf crop from 1916 to 1925, including seven years of drought, was 65 per cent, an average annual loss of 1.8, a net production of 63 animals from each 100 cows. This compares with an average calf crop of 50 per cent and death losses of 10 per cent, or a net production of 40 head per hundred cows from public-domain range. The more efficient production under regulation spells the difference between profit and loss.

On the Santa Rita Range Reserve in Arizona the average annual calf crop, 1916 to 1925, was 73 per cent and loss 3¾ per cent and the cost of a yearling on the basis of 1925 values $17 a head. This was $5 less per head than it cost to produce yearlings on similar public-domain range. The reserve yearlings were fat and sold for $4 more per head, netting 7.4 per cent *profit to the* stockman on an investment of $85 per head even though prices were then unsatisfactory. This compares with a loss of 5.8 per cent on an investment of $55 on adjacent public domain. The outside range was overgrazed in practically every year. That on the Santa Rita was conservatively grazed. The numbers of livestock grazing on the reserve have been maintained throughout the 13-year period, 1915 to 1927, inclusive, and at the end of that period the range was in excellent condition. On the open public domain, however, the number of livestock varied extremely. The average for the period was less, however, and now the range is badly depleted.

One cattleman in 1919, when cattle were high, purchased with borrowed capital a ranch and approximately 500 head of cattle grazing on regulated range in Arizona. By December, 1927, he had his ranch and cattle entirely free from debt, though this was a period of years considerably below normal. It was not a question of numbers but rather one of adequate feed and the opportunity to apply reasonably good management.

Lambing with pastures and corrals on controlled range in Colorado resulted in saving over 7 per cent more lambs and with less labor than was secured in open-range lambing.

The stand of vegetation can be maintained as well, if not better, under proper grazing than it can under total protection from grazing.

An increase in vegetation from a density of 16 per cent of the soil surface to 40 per cent in high-mountain watersheds in Utah caused a reduction in summer surface run-off of 55 per cent and in sediment eroded from 56 per cent. The year's water supply from the area was not materially affected, however, since 95 per cent of the surface run-off comes from melting snow. The 5 per cent from summer rains, however, carry 88 per cent of the sediment.

These experiments, carried on for a number of years, are interesting and show conclusively the relation between the herbaceous growth on the land and the erosion of the soil. The increase, as I have just stated, of the vegetation from 16 per cent to 40 per cent decreased the erosion 55 per cent.

Regulated grazing on the Manti Forest, in Utah, has practically eliminated the disastrous floods which used to come from the watershed.

A good vegetative cover improves soil structure, allowing greater moisture penetration; it increases the water-holding capacity by increasing organic matter; it breaks the effect of wind; it binds the soil and lessens sheet erosion; it obstructs run-off, reduces the velocity of flow and carrying power of the water, and by catching soil particles it tends to form miniature terraces on slopes and dams and fills in small gullies. Under such conditions erosion is usually slight, and flood waters tend to be controlled at their start.

If it may be admitted, as I think it must, that the grazing on the public domain raises a serious problem, it would follow that some solution of this problem ought to be offered.

A careful study will show that the grazing industry depends upon the central mountain section as a joint unit and ignores almost completely the question of State boundary lines. As you know, there is a considerable migration, especially in the case of sheep, from ranges in various parts of Utah, Idaho, Wyoming, Nevada, and even as far as Oregon, to the winter ranges in southern and eastern Utah. This indicates that the problem is a complicated one, particularly when it comes to handling such things as taxation.

This is simply brought up as an illustration to show that this problem of grazing is not confined to any one State. The State lines are not geographical divisions; they are political divisions. I am mentioning this point in view of the fact that a great many seem to believe it is not a national problem.

Taking for granted that some system of control is necessary if we are to preserve the great asset of public grazing, this brings us to the consideration of the best way to handle the problem. Some have suggested that these lands should be turned to the State and could be handled better on a State basis. This would require the establishment of some system analogous to the system already in operation on the national forests in each State. In order to supervise these lands, it has been estimated by Dr. George Stewart that it would require a man of such training and ability that it would be necessary to pay a salary of at least $5,000 per year. Three state-wide assistants would be required. It is likely that these would cost the State an average of $3,500 each annually, making a total of $10,500. In my State it has been estimated that 12 range districts would be needed, each amounting to 2,000,000 acres in size. Each of these range districts would have one ranger directly responsible to the central grazing chief, and there would be an additional four guards to each ranger.

These guards would have about 500,000 acres of land each under supervision. Experiences in the Forest Service have shown this to be the absolute maximum that one man could hope to guard. This figure is probably the most important number of the estimate and it has been scrutinized and criticized in a variety of ways in order to arrive at its approximate accuracy. This would make 48 guards, who, however, would not be employed regularly for full time. It is thought that one-fourth of these might be employed four months, another one-fourth for six months, still another one-fourth for eight months, and the remaining one-fourth for year-long work. These periods of employment will be approximately the periods of the year that various parts of the public domain are suitable for grazing. This would involve a cost of $55,000 per year for these guards alone. It has been conservatively estimated that it would cost my State, as an example, a total of $113,000, or a cost of $18\frac{8}{10}$ cents per cow unit for six months. These figures do not include any appropriation for investigation research, which would become not only valuable but almost necessary. It would seem that $15,000 per year would be a low estimate for this work.

The income estimated by my State for grazing fees would be $120,000. This would be figuring the privilege of grazing the 600,000 cattle at 20 cents per unit for the grazing period. This might possibly be increased to 25 cents per unit. However, certainly not for the first few years, and until the carrying capacity of the range has been restored by means of careful grazing supervision and management. This would mean a net loss to the State of $7,000 annually, without provision being made for an investigation research. As I have indicated, the same conditions prevail in the other Western States, and while the figures would differ I feel sure the same ratio would be maintained in a study of each of the States.

May I speak for a moment concerning the watersheds? While most of the watersheds of the West are in the national forests, the supervision of the public domain is therefore not so important. Nevertheless, in many of the States it is a problem of considerable importance. Various tributaries of the Colorado River, for instance, drain watersheds in the public domain in eastern and southeastern Utah. I have no doubt that this is also true of many of the streams in other Western States.

Erosion is very general in these areas and although the streams rise principally in the national forests, many of them cross the public domain and improper grazing is bringing about a considerable amount of erosion. Such improper grazing is destroying the forest capacity of the grazing lands, and also increasing the silt problems in the streams and canals.

Some have advocated the passing of the public domain into private ownership, but it is very doubtful if the amount that could be derived by taxation would be anywhere equal to the amount that 37½ or even 25 per cent of the grazing fees from the Federal Government would bring.

Prof. George Stewart, of the Agricultural College of Utah, has made an extensive study of this subject, and I am taking the liberty of quoting some of his conclusions.

The following points deserve consideration in deciding whether State control is more advantageous than control by the Federal Government:

"First. There could, under one management, be a definite and thoroughgoing correlation in the use of the summer and winter ranges. It has already been pointed out that these are used by the same stockmen and there is a regular movement from summer ranges to winter ranges and vice versa.

"Second. The States are not geographical units; and Utah's winter ranges cross State boundaries. Under separate management, friction of various sorts is certain to arise and some of this would in time, without doubt, reach the courts. Federal control obviates this phase of the matter entirely.

"Third. There are some interstate watersheds conspicuous among which is the Colorado River. One of the important factors in handling waters of the Colorado River will in time be the silting problem. You are aware already by first-hand experience of some of the complications arising from separate water rights in this respect. Some of these operate in favor of

Federal control and some in favor of State control. It is probable, however, that the silting problem, which is the chief phase with which grazing would be connected, is largely a matter that Federal control would be more effective in handling. Whatever the virtues of this statement, it is a problem that deserves consideration.

"Fourth. It is likely that a higher net return would be derived by the State as a result of Federal control under the Forest Service.

"Fifth. The civil-service method of employing Federal employees, as opposed to the appointive method generally used by the State, has certain advantages by way of permanent employment which give the man a feeling of security. Roughly, it is safe to say that better men are employed for the same salary when employment is permanent and secure.

"Sixth. It frequently happens that some valuable experience in one State may be transferred to immediate application in another State under a Federal form of administration. There would be a considerable lapse of time before such an arrangement would be operative under separate State control. This might be overstated in part by the possibility of control initiated on the part of separate States. Utah, however, would be touched on every boundary by a State each of which might have a different point of view in these various problems."

Gentlemen, I only want to say in conclusion that a real problem is before us. The public domain to which I have referred is estimated to have a potential value of $26,000,000,000. Nobody is supervising it, nobody is exercising any regulatory control over it. The Interior Department, it is true, supervises the passing of title from the United States to the patentees, but other than that there is no control.

Nomadic herds are going to parts of the country which would otherwise be occupied by home builders, depriving them of their feed that is necessary to support their livestock and thereby their families. Here is this problem lying at the very doors of Congress, and when we plead for consideration, when we plead for the establishment of a policy for the control of this stupendously valuable property, we are scarcely able to arouse any interest whatever.

I have introduced bills in Congress at this session which would give the Secretary of the Interior the right to supervise the grazing upon the public domain. He is first to consider the interests of the small home builder, the man who goes out into the country with the hope of building a home for himself and his family. After this, he is to take into consideration the rights of those who have heretofore used the ranges; and then he is to inaugurate a system of regulation and control that will bring the public domain back to 100 per cent of its productivity. Surely this is important and worthy of consideration.

The future of the livestock industry of the West largely depends upon the action which Congress shall take in this important matter. It will do much toward stabilizing the industry in the West. Moreover, if we do not rise to the situation before long, the asset of public grazing will have been largely dissipated, if not entirely so, because many areas of the West are not producing more than from 25 per cent to 50 per cent of their capacity.

What is everybody's problem seems to be nobody's problem. We introduce bills for the regulating of grazing year after year. They sometimes get scant consideration in our committees, and very much less consideration on the floor of the House. Year after year the Secretary of the Interior reports to us and recommends legislation such as I have indicated.

The President of the United States in at least two of his messages has called attention to the necessity of some such regulation. We are so busy with other problems, sometimes looking afar for problems to solve, and we neglect some of the most important things lying at our very door.

I can scarcely appreciate anything that would be more worthy of the attention of this Congress than the steps that are necessary to preserve the great public domain. Its acres and acres, worth billions of dollars, are in need of our care. We are intrusted with the responsibility of these lands. We must see that something is done. The Government has no policy with reference to its public domain. It is for us to formulate one. [Applause.]

Many of the people in this country are asking for the conservation of the great resources of public grazing because of the revenue to be derived from it. We are asking for the conservation of this great resource for the benefit of our children and our children's children. You ask for its conservation for the dollars it may bring to this country; we ask for its conservation for the happy, contented citizenship of the future. We think in terms of people, not dollars. Give us a chance to build better roads, to have better schools, to make better homes, and we will continue to give to the Nation the greatest asset that this or any other nation could possibly have—a patriotic, home-building, liberty-loving, God-fearing people. [Applause.]

Mr. DICKINSON of Iowa. Mr. Chairman, I yield five minutes to the gentleman from New Hampshire [Mr. WASON].

Mr. WASON. Mr. Chairman, contrary to my usual custom, I rise at this time to call your attention to a matter which is close to the hearts of Members of this House. As you well know, for a number of years I have held a position upon this subcommittee of the Appropriations Committee that prepares the annual agricultural appropriation bill.

When appointed upon this committee we had an eminent Member of the House, Mr. Sydney Anderson, of Minnesota. Later he voluntarily left Congress to engage in other activities. Then the chairmanship went to the State of New York, to our distinguished colleague and friend, Walter W. Magee. It was a privilege and honor to serve with him upon this committee until the sad news from Syracuse was promulgated that he no longer breathed the breath of life. That was August, 1927. As the annual agricultural appropriation bill comes before the House to-day fond recollections of our departed Member fills our souls with grief.

Under the guidance of Chairman Magee the House always felt that it received fair and courteous treatment. Members realized in him the full-grown, capable leader and friend, and in his demise this House and this Congress, those of us who knew him well, feel that we have lost a personal friend and know that the country has lost a capable and wise legislator.

Mr. Chairman, as we present this bill to-day our chairman [Mr. DICKINSON] has kindly yielded me five minutes to express in a feeble way our regret in the death of our former chairman and colleague of this committee. He was a distinguished Member of the House. He is absent, but his influence and his ability and his friendship will not be forgotten as long as we who knew him retain our intellects and breathe the breath of life.

His successor has been on the Appropriations Committee since the beginning of his second term in Congress, which was in 1921. Permit me to say that in the years I have been associated on the Subcommittee on Agriculture with our colleague from Iowa, Hon. L. J. DICKINSON, we were very fortunate that he was available to succeed our former chairman.

In the preparation of this bill under his guidance, care, and industry we have had harmonious meetings, studies, and careful consideration of each and every item, and I feel that I voice the sentiment of my colleagues on the subcommittee in saying that he is a worthy successor to our departed friend and colleague in this position, and I hope and believe that my words and prophecy will prove true as the days roll on, and we will realize that the gentleman from Iowa [Mr. DICKINSON] is a worthy successor of our former chairman, Walter W. Magee.

There are two other members new to our subcommittee at this session, although they are not new members of the Appropriations Committee. One of them comes from the great State of Louisiana, who has been transferred from another subcommittee to this subcommittee—Mr. SANDLIN, a valuable addition to the committee or any committee of this House.

The gentleman from Washington [Mr. SUMMERS] has been a member of the Appropriations Committee for five years. His transfer from another subcommittee to this subcommittee is recognition of his ability, wisdom, and devotion to agriculture. The membership of the committee is such that I am proud to say to the House that I value my humble position on this committee more than words can express.

It is easy to talk about your associates, but the agricultural appropriation bill is an important bill to the producers and consumers of the United States. It carries a large amount of money. We have spent five weeks in hearing testimony and in preparing the bill which carries over $143,000,000 appropriation for 1929.

I hope that our recommendations will meet the approval of the House and be of lasting benefit to those engaged in agriculture and to those in the United States who are dependent upon the success of agriculture. [Applause.]

Mr. BUCHANAN. Mr. Chairman, I yield 45 minutes to the gentleman from Arkansas [Mr. OLDFIELD]. [Applause.]

Mr. OLDFIELD. Mr. Chairman, several speeches have been made on the floor recently, and I want to give some attention to each of those speeches. The gentleman from Michigan [Mr. KETCHAM] delivered a speech on the farm situation in the country a few days ago in which he quoted statistics from the Agricultural Department which at least tended to show that the agricultural population of the country is prosperous and is

getting along all right, and is getting along much better than it did prior to the passage of the Fordney-McCumber tariff law in September, 1922. I do not know what conclusion really would follow from the statistics which the gentleman from Michigan quoted, but I do know that the farming people of the country are probably in worse condition to-day than they have been in a generation.

In other words, the gentleman from Michigan [Mr. KETCHAM] tries to make this House believe that after the war was over and the Underwood law began to operate that the price of farm products began to decrease. In other words, the farmers began to go broke. Nothing is further from the truth. The facts are that the farmers of the country began to go broke when the Republican Party declared in their platform for "courageous and intelligent deflation." Farm products were high and prices of farm lands were high until this platform pledge was written in the Republican platform. The people know that it was due primarily and almost solely to the ruinous policy of deflation which President Harding and his administration imposed on the farmers and the country. They know it, because in the platform adopted at its Chicago convention the Republican Party declared for "courageous and intelligent deflation." That a deflation policy was embarked upon immediately after the Harding administration came into power we all know. How courageous it was, men may judge for themselves; but as for its intelligence, I do not believe there is a living man who will be so bold or so foolish as to praise or to condone. It is strange that gentlemen who sometimes cry loudest on this floor about the distress of the farmer do less than anybody to aid when the opportunity is afforded to be of service.

That tariff reform would go far toward the solution of the problem of agriculture we know on no less an authority than the commission appointed by the United States Chamber of Commerce and the National Industrial Conference to study and report on the problem. Its chairman was a distinguished Republican, the Hon. Charles Nagel, of St. Louis, Secretary of Commerce in the Cabinet of President Taft. Certainly he was not prejudiced against the Republican policy of protection, and yet in his report for that commission Mr. Nagel recommended a revision of the duties to remove some of the discrimination against agriculture. This report has been repudiated by President Coolidge, the Republican Party's leader, and if any Republican in this body who professes to be a friend of the farmer has ever suggested writing those recommendations into policy I have not heard of it. Indeed, at the only opportunity which this body has had to go on record as favoring the principle of the Nagel report, many of those who have been moved almost to tears when telling of the farmer's plight icily voted to table the McMaster resolution and prevent any opportunity to revise the tariff.

The Agricultural Department tells us that from 1920 to 1925 the value of farm lands in the United States decreased from $63,000,000,000 to $47,000,000,000, a decrease of $17,000,000,000. That department also tells us that if we consider the shrinkage in value of farm equipment, buildings, and crops, the decrease goes to $30,000,000,000. That is 50 per cent more than the value of all the railroads in the country.

There has just been issued by the Department of Agriculture a pamphlet entitled "The Farm Real Estate Situation, 1926–27," making some very interesting comparisons about the agricultural industry 15 and 7 years ago and now, a comparison that constitutes a terrific indictment of the Republican Party drawn in the house of its friends. The pamphlet written by E. H. Wiecking, an analyst in the Division of Land Economics of the Department of Agriculture, begins with these words:

> An average decline of 4 per cent in values was the outstanding development of the year 1926–27 in the farm real-estate situation. Declines were especially marked in some of the Corn Belt and cotton States, in some sections reaching 10 per cent.

This drop, says this report, brought farm real-estate values down to a level only 19 per cent above the 1912 to 1914 average, but—

> reckoned from the 1920 peak, farm real-estate values in early 1927 had declined 30 per cent.

Moreover, and worse, the author of this pamphlet shows that measured in—

> constant dollars of the purchasing power * * * farm real-estate values on March 1, 1927, were really worth 20 per cent less than they were 15 years before, or 1912.

The pamphlet next shows that the composite price index of 30 major products prepared by the United States Department of Agriculture dropped within the year 1926–27 from 143 to 127 per cent of pre-war; that net income available for capital invested in the agricultural industry decreased 21 per cent within the year; that the net cash returns of 15,000 farmers reporting to the department dropped 13 per cent during that year, while the net outflow of farm population to the cities for that one year was 1,020,000 persons. Meanwhile, taxes have been steadily increasing, and in 1926 they were 253 per cent of the pre-war taxes which the farmers paid as compared with 155 per cent of pre-war in 1920.

During the same year the department received reports of 40,000 farms sold at administrators or executors' sales, while 163,000 farms were sold at voluntary sales or in trades. If the farmers had been prosperous they would not have been so eager to dispose of their property, so that it can well be imagined that very many of these farms were sold by their owners at heavy losses. In fact, the department says that—

> reports are current of syndicates being formed for the purpose of buying up foreclosed and other distressed farms in the Corn Belt and holding them for a rise in value.

Yet the gentleman from Michigan tries to make the people of the country believe that the farming population is in good condition and is prosperous; much more prosperous than it was a few years ago. But that is not all. We find from statistics of the Federal Reserve Board that more than 3,000 banks failed in this country under the present Harding-Coolidge Administrations.

Mr. HASTINGS. To be exact, 3,941.

Mr. OLDFIELD. Nearly 4,000. As a matter of fact statistics will show that more than 95 per cent of those bank failures occurred in the agricultural sections of the country. Surely the farming population can not be prosperous when nearly 4,000 banks have failed in the agricultural sections of the country in the last 7 years. Yet we are told by the gentleman from Michigan that the farming population is prosperous.

I think that is a sufficient answer to his statement. No person can dispute that statement. The Agricultural Department will not dispute it. Out in Illinois, for instance, in the district of my friend TOM WILLIAMS, I think those black Illinois lands that sold for two and three hundred dollars an acre in 1920 are now advertised for sale, under the hammer, and are being sold at $50 and $60 an acre, and they can not always be sold at those sums. So that undoubtedly conditions are bad in the agricultural sections of the country.

What is the remedy? Some gentlemen on this floor think that the tariff ought to be reduced on those things which the farmers have to buy; that is, the manufactured articles. The farm conference in St. Louis in 1926 passed a resolution that that should be done. My friend from Iowa [Mr. DICKINSON] has made several speeches on the floor threatening to have the tariff reduced on the manufactured articles which the farmers of the country have to buy. Yet, when we have an opportunity here to consider tariff legislation, he and every other Republican from Iowa—and all of the Members of the House from that State are Republicans—voted not to consider the proposition; not to consider the tariff question at this session of Congress. Of course, President Coolidge does not want the tariff question considered at this session of Congress. Secretary Mellon does not want the tariff question considered at this session of Congress. The Republican members of the Committee on Ways and Means do not want the tariff question discussed at this session of Congress. But the farmers of the country would like to see the tariff brought down on certain articles mentioned at the farm conference in St. Louis in 1926.

Mr. COLE of Iowa. Mr. Chairman, will the gentleman yield?

Mr. OLDFIELD. Certainly.

Mr. COLE of Iowa. The Senate resolution called for revision downward, did it not?

Mr. OLDFIELD. The Senate resolution provided that it was the sense of the Senate that excessive tariff rates in the present law should be revised.

Mr. COLE of Iowa. In behalf of the farmers of my part of the country I want to say that they do not want the tariff revised downward on their products. On the contrary, they are insisting that it shall be revised upward.

Mr. OLDFIELD. And what about manufactured articles which they have to buy? What do they say about that?

Mr. COLE of Iowa. I do not believe the farmers are interested in reducing the tariff on those articles. They want to level upward and not downward. They are willing to let the industrial tariff remain where it is, but they do want increases on certain of their agricultural products. The Senate resolution was opposed by my colleague, Mr. DICKINSON, and by the rest of us who represent Iowa, because we do not believe in a revision downward of the agricultural schedules, and the Senate resolution called only for a revision downward.

Mr. OLDFIELD. But not of the agricultural schedules.

Mr. COLE of Iowa. It did not make any exception.

Mr. OLDFIELD. I will just read the Senate resolution—

* * * That many of the rates in existing tariff schedules are excessive, and that the Senate favors an immediate revision downward of such excessive rates, establishing a closer parity between agriculture and industry, believing it would result to the general benefit of all.

There is nothing in that resolution that indicates that it was the sense of the Senate to reduce the tariff on agricultural products, but evidently they wanted to reduce the tariff on manufactured products.

Mr. COLE of Iowa. They made no exception of agricultural products; and what we insist on is an increase in the agricultural tariffs.

Mr. OLDFIELD. Yes; but let me ask you this question: Why did you not vote to send the McMaster resolution to the Committee on Ways and Means and consider that question of increasing the tariff on agricultural products? You have closed the door against yourselves.

Mr. COLE of Iowa. Oh, no.

Mr. OLDFIELD. Oh, yes; absolutely you have closed the door. Every man in this country, it makes no difference how humble he may be, may get up a petition upon any subject and send it to you or to me, and we drop it into the basket, and it is referred to the proper committee by the Speaker of the House. Here was a case where the greatest legislative body in the world, except this House, sent a resolution over here by a vote of 54 to 34. A majority of 20 in the Senate voted for that resolution. And yet every member of the Iowa delegation voted not to increase the tariff on agricultural products or a decrease of the tariff on the products that the farmer has to buy, but closed the door absolutely for this session of Congress for any consideration of this subject.

Mr. DENISON. Mr. Chairman, will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. DENISON. How does the gentleman from Arkansas feel about the revision of the farm schedule? Does he believe it should be revised downward or not?

Mr. OLDFIELD. No; personally, I would be glad and willing to revise the agricultural schedule upward if it is necessary and if it is shown that there is a difference between the cost of producing in this country and abroad.

Mr. DENISON. Take rice, for example. That is produced in the gentleman's State. The gentleman knows that the producers of rice want the schedule increased.

Mr. OLDFIELD. Mr. MARTIN of Louisiana offered a bill to correct the tariff on the rice schedule, and the Ways and Means Committee turned it down cold and would not have anything to do with it because they were afraid it would open up some other features of the tariff law.

Mr. COLTON. Mr. Chairman, will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. COLTON. Did not that McMaster resolution provide for the downward revision of the tariff?

Mr. OLDFIELD. I read it just now. It means manufactured articles. It says:

Many of the rates in the existing tariff schedules are excessive—

It does not say agricultural or manufactured products, but it refers to excessive rates. It reads further—

and that the Senate favors an immediate revision downward of such excessive rates, establishing a closer parity between agriculture and industry, believing it would result in the general benefit of all.

I never heard anybody say on this floor or elsewhere that the disparity was because the agricultural schedule was too high, but always that the manufactured schedule is too high.

Mr. LAGUARDIA. Mr. Chairman, will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. LAGUARDIA. Assuming that the revision would be downward, would the gentleman increase the tariff on agricultural products and reduce it on manufactured goods? And does not the gentleman think that by increasing the tariff on agricultural products the cost of food would be increased to the people?

Mr. OLDFIELD. Oh, the people buy things to eat just as much when they are expensive as when they are less expensive. They buy them just as cheaply as possible, whether they are rich or poor.

Mr. LAGUARDIA. If there were not a tariff on women's garments, the manufacturers or dealers in this country would send their designers to Europe, and we would import them.

Mr. OLDFIELD. Maybe the gentleman takes the same position as Doctor CROWTHER, who wants to forbid the admission of all those imports.

Mr. BEEDY. Mr. Chairman, will the gentleman yield for a moment?

Mr. GARRETT of Tennessee. Will the gentleman yield to me?

Mr. OLDFIELD. Yes; I yield to the gentleman from Tennessee.

Mr. GARRETT of Tennessee. Is it not a fact that the gentlemen who voted as they did, when that aspect of the Senate resolution was presented, voted against saying to their own committee, known to approach these questions from the protectionists standpoint and according to the protectionist theory, "We want you protectionists to consider a proper revision of these schedules"?

Mr. OLDFIELD. Certainly.

Mr. LEAVITT. Mr. Chairman, will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. LEAVITT. Now the gentleman's leader has told him what he has been trying to say. [Laughter.]

Mr. OLDFIELD. Yes; and he always tells it properly and well.

Mr. LEAVITT. As I recall, two years ago the gentleman stated that if he were revising the tariff he would take it off wool and wheat and meat and reduce the duty on sugar. What has the gentleman to say about it now?

Mr. OLDFIELD. I think the gentleman from Montana said that he would take some of the duty off manufactured articles. I think the gentleman referred to that the other day.

Mr. LEAVITT. No; I would not destroy the farmers' market by 1 cent.

Mr. OLDFIELD. If you had your way about it, would you reduce the tariff on manufactured articles, or increase them, or leave them as they are?

Mr. LEAVITT. I would do what is necessary. [Laughter.] "Of course, the loud laugh that speaks the vacant mind" is heard before I have finished the statement. Some would be increased and some decreased, and so far as the agricultural products are concerned, in many cases it would be an increase.

Mr. OLDFIELD. And in no case would it be decreased?

Mr. LEAVITT. I would not say that.

Mr. RAGON. I would like the gentleman in connection with his remarks to say how the Senators from the State of Montana, from which the gentleman comes, voted on the McMaster resolution?

Mr. OLDFIELD. Both the Montana Senators voted for it. Now, Mr. Chairman, let me read what the gentleman from Iowa said.

On December 15, 1926, Mr. DICKINSON of Iowa said:

I do not believe those of us from the Central West are going to stand for a high tariff and say there can be no reduction in the tariff on commodities where they make an excessive profit or assist in monopolizing the control of a commodity.

And on March 2, 1927, he said:

It will therefore be the problem of the farmer to study the tariff schedules and everywhere he sees that exhorbitant prices are being charged, or that excessive profits are being made, he will join hands with those who are asking for tariff revision downward on such commodities in order to secure the equality to which he believes he is entitled.

Mr. DICKINSON also cited the platform adopted at the St. Louis Farm Conference November 16 and 17 which contained the following declaration on the tariff:

We favor the removal or modification of unfair and excessive tariff duties that now afford shelter for price-fixing monopolies. It is idle to refer to manufactured articles on the free list as benefiting the farmer when materials entering into their manufacture are highly and excessively protected. Therefore we urge immediate reduction on such basic materials as aluminum, steel, and chemicals.

In the same speech Mr. DICKINSON uttered this warning:

In my judgment, the party leadership that either admits the lack of a program or shows a disposition to further delay an effort to pass this legislation with no substitute to offer, should be repudiated and dethroned. It is my purpose to leave no stone unturned to bring this question to a final decision at the present session of Congress.

And yet the gentleman from Iowa voted not to consider the tariff question when he voted against sending the McMaster resolution to the Ways and Means Committee, thereby playing into the hands of the enemies of the McNary-Haugen bill repudiating what he said on this floor in 1926 and 1927.

Mr. HASTINGS. Will the gentleman permit me to say that the largest number of bank failures in the United States in the last eight years was 367 in the State of Iowa, and the largest in proportion to population of any State in the Union was in Montana, numbering 188.

Mr. OLDFIELD. Now, Mr. Chairman, the gentleman from Iowa [Mr. DICKINSON] voted against the McMaster resolution

on the 17th day of January, and on the 20th day of January he introduced a tariff bill in the House, which was sent to the Ways and Means Committee, increasing tariff rates on agricultural products. He preferred on the 17th of January to sustain the ruling of the Chair and to sustain the Republican organization in the House, thus making it impossible on that day to have anything considered which he might introduce in the future. Yet he did introduce a tariff bill in three days after that, a tariff bill revising the tariff upward on agricultural products. I think that was a great deal more than inconsistency. Both of the Senators from Iowa voted to send the resolution here, yet, as I say, within three days after that action was taken in the House he introduced a tariff bill which he knows will not be considered and which he knew would not be considered at the time he introduced it, and that he had previously helped by his vote on January 17 to make it impossible to have such matters considered.

Mr. DENISON. Will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. DENISON. I know the gentleman from Arkansas is a gentleman who has some respect for the different duties of the two branches of our National Congress. Does not the gentleman think that a bill of that kind or a movement of that kind should have originated in the House rather than in the other body?

Mr. OLDFIELD. The Senate recognized that.

Mr. DENISON. I do not think they recognized it.

Mr. OLDFIELD. Of course they did, otherwise they would have had some bill introduced there and started to consider it. However, they just passed a resolution saying it was the sense of the Senate, and it passed by a vote of 54 to 34. If an ordinary citizen should have sent such a statement here, it would have been forwarded to the Ways and Means Committee.

Mr. DENISON. I do not believe the Senate had any more right to pass such a resolution than the House would have the right to pass a resolution saying that it was the sense of the House that the Senate should ratify some tretay.

Mr. BLACK of New York. If the gentleman will yield, we have done that.

Mr. DENISON. Not with my vote.

Mr. BLACK of New York. We did that as to the World Court.

Mr. OLDFIELD. The gentleman from South Dakota [Mr. JOHNSON] had a great deal to say the other day as to why he was paired in opposition to this resolution, and why one of his colleagues voted one way and one the other way. Apparently he was afraid, according to his statement, that what was done here would be misconstrued out in his district and in other districts in South Dakota. I think his trouble and the trouble of other Members of this House was that they have been trying to explain away their votes on this proposition. I think the gentleman from South Dakota is afraid that his vote here will be correctly understood instead of being misunderstood. But what I object to about the gentleman from South Dakota is his quoting the senior Senator from South Dakota as saying that southern Senators had combined with Senators from the industrial East to defeat the McNary-Haugen bill. Now, any Senator or Member of this House ought to get his facts straight before he puts them in the RECORD. Now, what are the facts? I shall put the vote in the RECORD, or, rather, an analysis of the vote much fuller than I am going to give it here, because of lack of time, but 58 per cent of the Democrats in this House voting on that question voted for the passage of the McNary-Haugen bill, and 51 per cent of the Republicans voting on that question voted for the passage of the McNary-Haugen bill. In other words, we had a greater percentage of Democrats voting for the passage of that bill than the Republicans had. In the Senate 56 per cent of the Democrats present and voting, voted to pass it there and 52 per cent of the Republicans in the Senate voting on the question, voted for the passage of the McNary-Haugen bill.

Mr. ALMON. Was that at the last session?

Mr. OLDFIELD. That was at the last session. Therefore no Senator and no Member of the House ought to get up on the floor of either body and try to mislead the people by saying that Southern Senators and Southern Members among the agricultural Members of the Democratic Party helped to defeat the McNary-Haugen bill.

The Republican leadership on this floor tried to defeat it but they did not succeed. The present chairman, the man who occupies the chair now, Mr. TREADWAY, and Mr. TILSON, leaders on the Republican side, did everything in their power to defeat this bill. But they did not defeat it; they could not defeat it because they could not get the votes. The President defeated the bill. The President vetoed the McNary-Haugen bill and he had the able assistance of that great farmer, Andrew W. Mellon, in writing his message. Also that other great farmer, Herbert Hoover, helped to write his message; also that great farmer, Attorney General Sargent, of Vermont, helped to write that message; and that other great farmer, Secretary Jardine, of Kansas, was on hand to help the President write his veto message. The President and his Cabinet did everything possible to defeat the McNary-Haugen bill in the House and Senate and failing in this vetoed the bill. They are going to try to defeat it again but I hope they do not succeed. The facts show that they are the people who defeated it. The President, in his veto message, said it was class legislation, but the ink on his veto message had hardly gotten dry before he increased the tariff on pig iron 50 per cent. He increased it all he could. He did that for the benefit of the Steel Trust. Yet the record shows we exported 50,000 tons of pig iron last year and imported 132,568 tons and we produced 36,289,112 tons. We imported less than one-third of 1 per cent of our production. Everybody knows that and there is no question or doubt about it. Under the flexible provisions of the tariff law he has almost always increased the tariff except on bobwhite quails, paintbrushes, and things of that kind.

Mr. COLE of Iowa. Will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. COLE of Iowa. What was the tariff on pig iron?

Mr. OLDFIELD. Seventy-five cents a ton, and he raised it to $1.12½ a ton, just as much as he could under the law.

Mr. COLE of Iowa. I know, but the tariff on pig iron was very low, and the increase was correspondingly small.

Mr. OLDFIELD. Does the gentleman think he should have done that? If the gentleman thinks he should have increased the tariff on pig iron and vetoed the McNary-Haugen bill at the same time, let him say so.

Mr. COLE of Iowa. I have no objection to what the President did in behalf of pig iron, because the same President with the same pen a few months before had increased the duty on butter from 8 cents to 12 cents a pound, on wheat from 28 to 42 cents, and as soon as we can get it through the Tariff Commission, the same President, I believe, will increase the duty on corn from 15 cents to 22½ cents. That is the kind of President we want. [Applause.]

Mr. OLDFIELD. You can have him so far as I am concerned.

Mr. COLE of Iowa. He is in favor of increasing the duties on agricultural products and so are the farmers.

Mr. OLDFIELD (continuing). And I think he wants to be nominated again, and I think probably the gentleman wants him nominated.

Mr. WILLIAM E. HULL. Does the gentleman want him nominated?

Mr. OLDFIELD. Yes.

Mr. BLACK of New York. Will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. BLACK of New York. I have come over to the Republican side to make this statement. I do not think the gentleman wants to be unfair to the President. The gentleman has overlooked something he has done for the farmers.

Mr. OLDFIELD. What is it?

Mr. BLACK of New York. The only class of labor in the navy yards that had a salary increase last year was a couple of gardeners in the navy yards, and that was done in the interest of agriculture. [Laughter.]

Mr. OLDFIELD. Now, Mr. Chairman, I want to say a few words in reply to a speech made by my good friend, Doctor CROWTHER, here the other day. There are various tariff thoughts or views in the Republican Party, although not in the agricultural sections; but Doctor CROWTHER is consistent. In answer to a question that Mr. GARNER of Texas propounded to Doctor CROWTHER the other day, the gentleman from New York [Mr. CROWTHER] made a statement that I want to refer to. This is the question propounded by the gentleman from Texas [Mr. GARNER]:

> Mr. GARNER of Texas. If I understand the gentleman's position with reference to the protective tariff, it is that he would produce everything in this country that we could produce and would not import anything that can be produced in this country.
>
> Mr. CROWTHER. I should favor such a proposal.

Now, my friends, Mr. Fordney, who had a great deal to do with writing the Fordney-McCumber tariff bill, believed the same thing. Secretary of Labor Davis believes it so far as manufactured articles are concerned. I assume Doctor CROWTHER believes it with regard to manufactured articles and also with regard to farm products.

The question referred to everything we can produce here, and I assume the gentleman means there should be a Chinese wall around America stopping everything at the wall—farm prod-

ucts and manufactured articles that can be produced in this country.

I do not know how many Republicans believe this. I certainly do not believe it. But there is another very important Republican in this country who believes it. Secretary of Labor Davis is quoted in an editorial in the New York Times as follows:

America should have a tariff that will not permit anything to be imported from a foreign country that we can make in our own land.

Mr. CROWTHER. Will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. CROWTHER. I think in that same speech the gentleman will find a quotation that I put in the RECORD from Thomas Jefferson verifying that position. I wish the gentleman would read that.

Mr. OLDFIELD. I will look it up and see if it is in here. I do not think Jefferson ever had any idea that we would have embargoes on any sort of product. I am sure he did not favor any such policy, and that is what the gentleman meant. That is what the gentleman's answer to the question would mean.

Here we have a great country, and we can produce practically everything in America if the tariff wall were high enough, except possibly coffee and rubber, and I notice Mr. Edison states we can produce rubber in this country. We would produce everything and bring in absolutely nothing. I wonder if the gentleman from New York would be in favor of that?

Mr. CROWTHER. I do not want to bring in any farm products that would put our farmers out of business.

Mr. OLDFIELD. Does the gentleman want to bring in any at all?

Mr. CROWTHER. We brought in $1,000,000,000 worth during 1926.

Mr. OLDFIELD. Does the gentleman want to bring in any at all?

Mr. CROWTHER. I think it would be just as well if we did not bring in any that we can raise ourselves. [Applause.]

Mr. OLDFIELD. That stops absolutely international trade of all kinds.

Mr. CROWTHER. Oh, no; it does not.

Mr. OLDFIELD. Absolutely; if you are not going to bring in a dollar's worth of farm products from abroad or a dollar's worth of manufactured articles from abroad, how are you going to have any trade with foreign nations?

Mr. CROWTHER. Will the gentleman yield?

Mr. OLDFIELD. I yield.

Mr. CROWTHER. The gentleman from Arkansas and many other members of his party made just such speeches as this when the Fordney-McCumber bill was under consideration.

Mr. OLDFIELD. Yes.

Mr. CROWTHER. They went down into the well there and wept copious tears and drew pictures of the world falling off into primeval chaos and the stars ceasing to shine if we passed the Fordney-McCumber tariff bill——

Mr. OLDFIELD. Ask the question.

Mr. CROWTHER. And yet we have done more business with foreign countries under that bill than we have ever done under any tariff bill since such bills were written.

Mr. OLDFIELD. Yes; the gentleman stated it brings in $600,000,000 a year to the Treasury; and, as a matter of fact, it costs the people of this country, the consumers of America, $6 for every dollar brought into the Treasury.

Mr. CROWTHER. I would just like to know how the gentleman figures that.

Mr. OLDFIELD. All the experts and economists figure it that way.

Mr. CROWTHER. Oh, I do not take much stock in experts. [Laughter.]

Mr. GREEN of Florida. Will the gentleman yield?

Mr. OLDFIELD. I yield to the gentleman from Florida.

Mr. GREEN of Florida. I want to say to the gentleman from New York that his expert tariff system protecting manufacturing enterprises only is about to drive the tomato producers and other vegetable producers of my State out of business on account of the Mexican and Irish agricultural products which you are permitting to come in under your present tariff law.

Mr. CROWTHER. And I am anxious to increase their tariff.

Mr. GREEN of Florida. Why does not the gentleman's party do it? Your committee will not bring out anything.

Mr. CROWTHER. Mr. Chairman——

Mr. OLDFIELD. Mr. Chairman, I do not yield further.

The statement of the gentleman from Florida is true. The Ways and Means Committee will not undertake to consider the tariff question and the gentleman from New York knows that as well as I know it. The gentleman will not undertake to do it because he is afraid something will get into the bill that he does not like.

Mr. CROWTHER. Will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. CROWTHER. As I said to the gentleman from Texas [Mr. GARNER], the other day, I think we could pass a tariff bill here because we know how to do business in the House. We can go over to our committee, and as I told him, I think with the help of the liberal-minded Democrats—I did not have the gentleman from Arkansas in mind, I was talking to the gentleman from Texas [Mr. GARNER], because I recognize the gentleman from Arkansas as a free trader, of course.

Mr. OLDFIELD. I am not a free trader.

Mr. CROWTHER. I would like to ask sometime the men on the gentleman's side of the House to raise their hands if they subscribe to the theory of free trade. We would not find more than five or six of them. Your men are protectionists.

Mr. OLDFIELD. Is the gentleman through with his question?

Mr. CROWTHER. No.

Mr. OLDFIELD. Ask the question.

Mr. CROWTHER. Does not the gentleman think it would relieve agriculture if we could get a rule for such a bill, bring it in here, and name the hour for the previous question and pass it, but we could not pass it in the other body?

Mr. OLDFIELD. All right; I will answer the gentleman. I am perfectly willing to consider any bill the gentleman from New York will introduce and am ready for its consideration in the Ways and Means Committee. The Democratic Party is not a free-trade body and never has been. The trouble about the gentleman from New York and the gentleman's President is that he wants a greater tariff than will equalize the difference between cost of production at home and abroad.

Take the sugar proposition—the Tariff Commission more than a year ago reported to the President of the United States, upon the President's request, that $1.23 per hundred pounds on sugar instead of $1.76 per hundred pounds was ample to take care of the difference in cost between the production at home and abroad. They also called to the attention of the President the fact that the difference between $1.23, which was all that was necessary, and $1.76 in the Fordney-McCumber tariff law cost the people of the United States $75,000,000 a year, and only $35,000,000 got into the Treasury. The $40,000,000 went into the pockets of the sugar producers as a subsidy. And yet President Coolidge pigeonholed the report and it was like twisting a rabbit out of a hollow log to get it from him. Does the gentleman want a greater duty on sugar than that which will equalize the difference between the cost of production at home and abroad? That is what the Democratic Party will stand for—will you do it?

Mr. CROWTHER. I am not wholly in favor of that; I do think it is necessary for a rate to be really protective. Apparently, from statements the gentleman has made about the sugar question, he is satisfied with the deductions and opinions of the Tariff Commission on sugar, but he did not believe in it in regard to wheat, butter, and pig iron, all of which duties were increased.

Mr. OLDFIELD. I have not discussed the wheat or the butter question.

Mr. CROWTHER. It took nearly six years to get the data and figures on pig iron and the consequent raise in duty.

Mr. OLDFIELD. If anybody has been prosperous for the last six years it has been the steel companies and the automobile manufacturers, but the farmers have not been prosperous either in my part of the country or the gentleman's part of the country. The tariff was increased for the purpose of increasing the price of steel. Nobody wants an increase in the tariff unless it is to raise the price of their commodity. Is not that so?

Mr. CROWTHER. It is not.

Mr. OLDFIELD. It is true because it enables them to increase the price.

Mr. CROWTHER. The gentleman does not seem to know as much as he ought to on this subject. [Laughter.]

Mr. OLDFIELD. The gentleman knows that everybody is for the raising of the tariff for the purpose of increasing the price on the thing that the tariff applies to. And everybody knows people would not go to the expense of coming to Washington and lobbying for particular tariff rates if they did not think it would put money in their pockets.

Mr. CROWTHER. That is not so and never has been. The gentleman can not cite any facts to support that statement.

Mr. OLDFIELD. It is not necessary to cite any facts on that proposition. Everybody except the gentleman knows it.

Mr. CROWTHER. The gentleman talks about the steel companies; he ought to know that a great many of the steel com-

panies in this country were opposed to raising the duty on pig iron because their money was invested abroad in pig-iron plants.

Mr. OLDFIELD. Nobody ever saw any great headlines in the newspapers to that effect.

Mr. GARRETT of Tennessee. Will the gentleman yield?

Mr. OLDFIELD. I yield.

Mr. GARRETT of Tennessee. The gentleman from New York says it took six years to get it out; in view of the President's former action, is not the gentleman surprised at his moderation? [Laughter.]

Mr. CROWTHER. I am not, because I believe the President is a protectionist at heart and has the welfare of this country at heart. [Applause.]

Mr. GREENWOOD. Will the gentleman yield?

Mr. OLDFIELD. I yield.

Mr. GREENWOOD. There is one instance I would like to call the gentleman's attention to, and that is linseed oil, which is a component part of paint and which the farmers need. I transmitted a communication to the President urging action on reducing the tariff on linseed oil, because I appreciated the fact that he was the only one who had the power to do it, since the House would not act.

I got a nice letter from the President, saying he had referred it to the Tariff Commission, and had it under advisement. I also got a letter from the Tariff Commission, saying that nearly a year ago they reported to the President that the duty ought to be reduced.

Mr. OLDFIELD. He follows the recommendations of the Tariff Commission when it suits him, and does not follow them when it does not suit him.

Now, the gentleman from Massachusetts [Mr. TREADWAY] made quite a speech the other day, and the burden was what a wonderful accomplishment the Limitation Armaments Conference was in 1922. Think of it! The wonderful accomplishment of the Limitation Armaments Conference! As a matter of fact, by that conference we lost 825,000 tons of battleship tonnage, aggregating nearly $300,000,000 worth of the finest battleships that ever floated the seas. Yet the gentleman from Massachusetts [Mr. TREADWAY] thinks that was a great thing for the country. It was such a great thing for the country that they put it in the Republican platform in 1924, and the President in one of his speeches called the attention of the country to the fact that it did not seem to appreciate what a wonderful thing Secretary Hughes had done at this armament conference. Of course, everybody knows that the British destroyed only a few blue prints, some pictures of ships, while we destroyed $300,000,000 worth of the finest ships in the world, and the taxpayers will have to foot the bill. Some more of Coolidge constructive economy. Then the President wanted to get himself out of that hole, and he called a conference at Geneva, and what happened there?

About the only thing they talked about over there was the tariff; but our commissioners went there with hat in hand and tried to persuade the British to destroy some of their submarines and some of their cruisers. They pleaded with them and begged them to do it. Of course, they did not do it. In other words, Secretary Hughes went into this Limitations of Armaments Conference and matched his diplomacy against British and European and oriental diplomacy. He went in attired in full dress and came out wearing a barrel—and nothing else. The President went along and advertised to the country what a great thing had been done for the world, and now it develops, several years afterwards, that what was done was a dis-service to the country instead of a service to the country and to the world. The Geneva conference was also a failure. I presume the Republicans will say in their platform this year that that was a great success. I can see them now writing into their platform a great boost for this Pan American conference at Habana. Of course, we have not the official report of the Pan American conference at Habana, and it is impossible for us to tell what was accomplished there, but we do know from the newspaper reports that the Central and South Americans wanted to talk about the tariff down there; they wanted us to reduce our tariff so that some of their products could find a market in this country. Then they wanted to talk about immigration. Of course, those questions were taboo. They wanted to talk about Nicaragua also, and there was a good deal of talk about Nicaragua. The fact is, from the newspaper reports, every country in Central and South America is suspicious of us. They fear this great colossus of the north. Not only that, but every country in the world to-day is suspicious of the United States of America on account of our restrictions in respect to tariff and other restrictions upon international trade we have put in our laws.

We try to shut out everything that anybody else produces or makes anywhere in the world. Just take the city of New York, the greatest city in the world to-day. In 30 days she would be starved to death if she did not buy anything. If she never bought anything, she could not exist. There is no State in this Union, the great State of Pennsylvania or the great State of Illinois or any other State, which if it sold everything and bought nothing or bought everything and sold nothing, could exist.

Mr. BLACK of New York. Is the gentleman speaking of votes?

Mr. OLDFIELD. No; I am talking about farm and manufactured products.

Mr. ARENTZ. Mr. Pueyrredon, the ambassador from the Argentine, is the only one who brought out the matter of a tariff. The argument against taking the tariff off Argentine beef was a matter of the foot-and-mouth disease. If the gentleman from Arkansas or anyone else in the South wants that class of cattle to come into the American market——

Mr. OLDFIELD. Of course, I do not.

Mr. ARENTZ. And break down the livestock industry of the country, then I think they would be a party to a very serious thing.

Mr. OLDFIELD. Yes. Is the gentleman through?

Mr. ARENTZ. Yes.

Mr. OLDFIELD. I agree with the gentleman thoroughly. I do not want diseased livestock coming into America from anywhere. My proposition is that the countries represented at Habana are suspicious of America. They do not like us; they fear us. They see us fixing to build the greatest Navy in the world, so the newspapers say.

The world owes this country $25,000,000,000 to-day. Do you think that the world can owe us $25,000,000,000 and then we not trade with the world? Impossible! Economic law is the most forceful law that we have. When they owe us that much money, we have to sell to them and we have to buy from them. This country can not live unto itself alone any more than an individual can. Therefore, I say to you that we ought to have our tariff law reasonable. Most of the Republicans used to say that all they asked for in the way of a tariff was a tariff high enough to equal the difference in the cost of production at home and abroad. I was in favor of bringing the matter up in the committee and trying to pass a bill and relieve them if the proof and the facts showed that it is necessary to have a reasonable tariff in order to cover the difference in cost of production at home and abroad, but if you can not get together on that sort of a bill, if Mr. CROWTHER will not agree to that sort of a bill, then we could bring it out of the committee onto this floor and let the House decide the kind of a tariff bill it wants to pass, and if the Senate changed it materially, we could refuse to agree to the Senate amendments; but you gentlemen are afraid to have a tariff discussion.

Mr. McMILLAN. The gentleman means the Republicans?

Mr. OLDFIELD. Yes; of course.

Mr. WINTER. Is not the gentleman from Arkansas satisfied with the purchase of about $5,000,000,000 worth of goods a year from foreign countries?

Mr. OLDFIELD. Certainly, if that much comes here.

Mr. WINTER. Is not that the fact?

Mr. OLDFIELD. I do not think it is that much.

Mr. CROWTHER. It is considerably over $4,000,000,000.

Mr. OLDFIELD. Here is the trouble about that. We export more than we buy, and so long as we export more goods than we buy, we are ahead. Do you believe we ought not to have any foreign trade? If you say that you do not want $5,000,000,000, then why $1,000,000,000 worth, and if you do not want $1,000,000,000, why any? Surely the Republican Party does not mean that they want a Chinese wall around this country, an embargo, so that nobody can trade with us. Yet from the arguments you make—and you have gone back on that argument about the difference in cost of production at home and abroad——

Mr. LaGUARDIA. Mr. Chairman, will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. LaGUARDIA. The gentleman says that all he requires is the difference in the cost of production at home and abroad. Does the gentleman realize that taking the present cost of production and the present rate of exchange if the tariff were revised on that basis there would be an increase in the tariff on most manufactured articles?

Mr. OLDFIELD. Let me read you something on that question.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. BUCHANAN. Mr. Chairman, I yield the gentleman five minutes more.

Mr. OLDFIELD. Let me explain that thing to you. I presume a good many Members on this floor know Mr. Jackson Johnson, of the International Shoe Co., personally. He is at the head of the greatest shoe company in the world, with an invested capital of $75,000,000, and with thirty thousand and odd operatives. There is no protection on shoes and here is what he says about the tariff:

The shoe industry neither needs nor wishes protection. Certain industries may need a degree of protection, but in a general way the tariff is too high. No industry is entitled to 60 per cent to protect 25 per cent.

He further declared that there is a good deal of politics in the talk about the benefits of the protective tariff to labor, adding that American wages are higher than European, not because of the tariff, but because of the greater natural resources of this country, the more efficient organization of American industry, and the greater productivity of the American workmen. In the shoe industry he said that this superiority amounts to the production of twice as many shoes per workman than in England. The ratio of labor cost to the value of product is as great or greater in the shoe industry than in any of the protected industries.

I want now to read what Mr. Benjamin L. Winchell, president of the Remington Typewriter Co. said. He said:

We do not want a tariff, we don't need a tariff, and so far as I can see now, we never will need any. If we needed one, I am sure that we could get it.

Of course, and everybody else knows that he could get it if he needed it. He would get it if he asked for it, whether he needed it or not, while the Republican Party is in power.

When Mr. Winchell was asked if foreign competition had cut his company's business or forced it to reduce the wages of his workers, he laughed and said:

All the foreign typewriters sold in the United States could be put on this table. There simply isn't any foreign competition. On the other hand, we have carried the war into the enemy's territory so successfully that the Remington Co. sells more typewriters in Europe than all the European companies combined. In the case of Germany and Italy, it sells them over a tariff barrier erected by those countries to keep them out.

Mr. LAGUARDIA. Mr. Chairman, will the gentleman yield?

Mr. OLDFIELD. Yes.

Mr. LAGUARDIA. Is not that because they have not learned to make typewriters abroad yet?

Mr. OLDFIELD. Here is the reason which this gentleman gives. He gives the reason here:

Put the American workman in a modern factory, give him the most improved machinery, put him under competent and intelligent foremen, and pay him high wages, and there isn't anything in the world that can touch him. He will turn out a better product than the foreign workman and he will turn out twice as much of it.

There is nothing on the face of the earth that can touch the American workingman.

Now, the other day Doctor CROWTHER referred to the textile industry as being in the dumps. Yet the textile industry has the highest tariff of any industry in America and pays the lowest wages. Nobody can dispute that. They have the highest tariff of any industry and pay the lowest prices.

The gentleman from New York also spoke of the cement industry. I do not know much about that. Then he talked about the railroads. Everybody was in the dumps. And yet the President has proclaimed general prosperity. You have had the Fordney-McCumber tariff since 1922, and under it we have the highest tariff rates that this country or any other country has ever seen; and now, forsooth, when we have hard times in the coal industry and in the textile industry and in agriculture and when 4,000,000 men are out of work and half that many more working part time what do the Republicans want to do? These quack doctors of the Republican Party have always said: "Raise the tariff, and it will cure all the industrial and economic ills of the country." Now, what do they want to do? They want to give them a double dose of the same medicine. President Wilson was right when he said the Republicans had not had an original idea in the last 50 years. [Applause.]

Mr. BUCHANAN. Mr. Chairman, I yield 50 minutes to the gentleman from Texas [Mr. MANSFIELD].

The CHAIRMAN. The gentleman from Texas is recognized.

Mr. MANSFIELD. Mr. Chairman, I recently clipped from the Washington Star a dispatch, which I ask the Clerk to read.

The CHAIRMAN. Without objection, the Clerk will read.

The Clerk read as follows:

HOLDS FARM ILLS DUE TO LAZINESS—T. F. HOPKINS, LARGE-SCALE OPERATOR, BLAMES AUTO FOR RURAL PLIGHT

CHICAGO, January 31.—What's wrong with the farmer, according to T. F. Hopkins, of Liberal, Kans., is that he lacks gumption and "get-up." Hopkins, who owns and operates a 2,000-acre farm near Liberal, voiced his views at the Interstate Commerce Commission hearing on grain rates now being held here.

"The American farmer is shiftless and lazy," said Hopkins. "He joy rides around in unpaid-for automobiles instead of attending to his work."

Hopkins had been called to testify as to his methods of farming, because the commission had been told his operations have been successful.

"Every farmer who spends his time tending his farm is making a go of it," he said. "If the average farmer worked as hard as the business man in the city, we wouldn't hear any more of this talk about hard times on farms.

"We have some good farmers, but we have a lot of poor ones. Most of these unsuccessful ones buy automobiles on the installment plan before they get their crops harvested. Any lack of success they have is due to laziness, shiftlessness, and improvidence. The automobile is a necessity, but it is too big a temptation for most of them, and they spend more time riding around than is good for their farms.

"On my own farm I do everything by machinery and tractors. I haven't a single horse or mule on the place."

Mr. MANSFIELD. Such is the viewpoint of the man who cultivates 2,000 acres by high-powered methods. His establishment will represent an investment of at least a quarter of a million dollars.

A writer in the Saturday Evening Post of last spring, Mr. Garet Garrett, in a series of articles presented some interesting thoughts upon the farm problem. Under his proposed solution, one-fifth of the people engaged in agriculture should be driven from the farms into other pursuits, and let the other four-fifths cultivate larger tracts of land by high-power machinery and other methods so as to reduce the cost of production. He said:

At the end of the regional agricultural conference held last year at Salt Lake City one man stood forth and said, "There is only one solution for the farmer to-day. Seventeen per cent must be ruined and driven off the land."

These words produced a deep psychic scandal. What a monstrous suggestion; yet everyone knew the truth. The truth is that one-fifth of the people now engaged in agriculture are economically unnecessary. They are wasting their labor and capital; they are a liability on the four-fifths who, with a very slight improvement of method, or with only the incentive of a little more profit, could easily produce the crops at a much lower average cost. The marginal fifth of the farm population is the body of distress. It adds to the surplus the breaking weight when the price is high and clamors for relief when the price is low.

Mr. Garrett expressed the view that the farmer did not understand the methods of either industry or agriculture. He said:

Not only is it difficult for the farmer to understand industry, there is a second complication. He does not understand agriculture either.

Commenting upon the farmers' belief that industry had prospered by the tariff and by organization to control surpluses and prices, he said:

Power of organization is not the secret of industry's profit. Neither is it the tariff. The secret is method. And that is the hardest single truth to put upon the farmer. He wishes not to believe it; or if he does believe it, he is obliged to look to his own methods. He would much prefer to think it is organization.

Mr. Garrett is an advocate of big business, on big-business methods—mass production by high-powered machinery. If little business can not compete, let it go to the wall. These methods, he claims, have made the success of industry, and can be applied with equal success in agriculture. He further says:

Fortunately, as it happens, the great staple crops that get agriculture into trouble, such as cotton, wheat, and corn, of which we produce an exportable surplus, are the crops that lend themselves to methods of intensity and power. The problem is not the price; it is how to reduce the cost of production to a point at which we can afford to sell the surplus at the world price, whatever that is.

He has a great deal to say of the little farmer, who is without method. He says:

And how involved the agricultural pattern becomes to be. The old and the new are in conflict still. A man with a mule and one bottom plow cotton patching in Alabama; another producing cotton by the

tractor method on a low-cost basis in Texas—the same staple for the same market. Which do you think will survive?

Mr. O'CONNELL. Mr. Chairman, will the gentleman yield there?

Mr. MANSFIELD. Yes.

Mr. O'CONNELL. Might not that gentleman's attitude be due to the fact that he thinks there are more and better farmers in Texas than in Alabama?

Mr. MANSFIELD. That is probably true; but he is in error, I believe.

Mr. McMILLAN. He is more of a geographical expert than a farming expert?

Mr. MANSFIELD. I believe he is an expert on paper farming.

In another connection he uses this language:

The one-mule cotton patcher in Alabama is the weevil in the fortune of the man producing cotton at a low cost by high-power methods in Texas.

Now, we all know that the only thing to do with the weevil is to poison him. This writer would have us treat the little farmer in that way when his business interferes with the business of the big farmer.

Just why this gentleman should give to the farmer of my State such a distinction over the farmer of the State of Alabama is beyond my comprehension. I can account for it only on the supposition that he may at some time have attempted real dirt farming in Alabama, while his Texas ventures have evidently been altogether on paper.

These were not the only allusions he made to the high-power Texas methods of producing cotton. He referred to the way in which we use the airplane and the tractor in dusting the poison upon the vast domains of cotton to kill the boll weevil. Also to the sledding process of gathering cotton, by which one man with this machine can do the work of a dozen or more cotton pickers, who insist upon picking cotton as our grandfathers picked it, by hand, out of the boll, one boll at a time. He assumes, of course, that all these high-powered methods of which he speaks have passed the experimental stage.

It is admitted by all that the sledding machine gathers with the cotton vast quantities of bolls, hulls, limbs, and trash of every description, but then, it is claimed, another high-powered labor-saving machine is applied at the gin. This machine, at low cost of operation, so thoroughly and completely separates the lint from the trash that the staple, when offered in the market, is so nearly faultless that it can not be distinguished from that which, when garnered, may have felt the delicate touch of the dainty fingers of a modern Ruth.

Oh, Mr. Chairman, cotton farming in Texas on paper is the most fascinating and successful business in all the world. Why, sir, it surpasses even the dreams of Henry Ford or Charles M. Schwab. Yet we find that in the year 1926 a tiny Government report, no larger than a man's hand, gave to the cotton market such a nose dive that the farmer, big or little, has not yet recovered from the shock. What the cotton farmer now stands most in need of is a parachute of some kind that will enable him to strike the bottom a little more gently the next time a department official opens his mouth.

The sledding process of gathering cotton having been referred to in such glowing terms, it should not be permitted to pass without further knowledge of the facts. Mr. Garrett's articles published in the Saturday Evening Post, have been read by several million people, who have been left under the impression that all the cotton crop of the United States can be gathered in that manner and at comparatively small cost. Gathering the crop being the greatest of the cotton farmers' problems, and it supposedly having been by this process so successfully solved, the farmer can prosper, if he will, and neither needs nor deserves any consideration at the hands of Congress. But what are the facts?

The sledding process can not be applied at all except in a few limited areas near the north border line of cotton production. Parts of Oklahoma and that portion of Texas known in history and in song as the Llano Estacada, or Staked Plains, are so far the only places where any extensive use of the sled has been made. In those sections, the Department of Agriculture in conjunction with the agricultural and mechanical colleges of Texas and Oklahoma have experimented quite extensively. Many thousands of bales have also been gathered by the farmers in those sections, with a greater or less degree of success.

In the year 1926, on account of the great slump in the cotton market, and on account of a scarcity of labor, the cost of picking and ginning a bale of cotton was about equal to the market value of the cotton after it was made ready for the market. Consequently, large quantities were permitted to go to destruction in the fields. Sledding was extensively practiced in the regions where found practicable, but principally, however, as a salvaging proposition. Several hundred thousand bales were gathered in that manner, but in 1927 we find that only 50,000 bales were so gathered. The facts will disclose the reasons for this reduction.

Not relying altogether upon my own judgment as to the sledding of cotton, I wrote to Hon. George B. Terrell, head of the department of agriculture of the State of Texas. I have here Mr. Terrell's reply, which I will ask the Clerk to read.

The Clerk read as follows:

DEPARTMENT OF AGRICULTURE, STATE OF TEXAS,
Austin, January 20, 1928.

Hon. J. J. MANSFIELD,
Member of Congress, Washington, D. C.

MY DEAR SIR: Yours of the 16th in regard to the process of sledding cotton has been received and contents noted.

In reply will state that this method of gathering cotton is used only in the Panhandle section of the State. It is a very rapid process of gathering cotton and the cost, I presume, would be less than $5 per bale for gathering cotton by this method.

The cotton must be matured and practically all open before the sledding can be done, as it strips all the bolls and limbs from the cotton stalk, and no more cotton can be made after the sled passes over it. It also lowers the grade of the cotton very materially, as sledded cotton usually brings about 2 cents per pound less than cotton picked by hand.

I do not know anything about the ginners charging $7 per bale extra for ginning this cotton because of the limbs, trash, and bolls in the cotton. It is possible that they make some extra charge for cleaning this cotton.

I would advise you to write Victor H. Schoffelmayer, of the Dallas News, Dallas, Tex., concerning this matter, as he has been in the plains country and made a study of this method of gathering cotton, and can give you more detailed information than we can give you from our department, as this method does not concern us in administration of agricultural laws but only concerns us as an economical and time-saving proposition.

Respectfully,

GEORGE B. TERRELL, *Commissioner.*

Mr. Terrell advised me to write to Mr. Victor H. Schoffelmayer, agricultural editor of the Dallas News, who is doubtless the best authority in the United States upon this subject. I wrote Mr. Schoffelmayer, and have here his reply, which I will ask the Clerk to read.

The Clerk read as follows:

THE DALLAS NEWS,
Dallas, Tex., January 28, 1928.

Mr. J. J. MANSFIELD,
House of Representatives, Washington, D. C.

DEAR MR. MANSFIELD: In reply to your inquiry about cotton sledding, at the present time this process is not adapted to any but the plains area, as it can be used only after killing frost. During 1927 only 50,000 bales were harvested in this way, because of the long, mild fall, and also because of a large supply of cheap hand labor. In the previous season, however, much more than this amount was gathered by sleds, though they did not come into vogue until after Christmas.

At the present stage of development the sled is still problematical, but it will play a big part in the plains area in the next few years. You understand, of course, that it is not confined to the Panhandle region, to which you refer, as its first general use was around Lubbock in the south plains section.

The usual cost for cleaning sledded cotton ranges between $2.50 to $4 a bale extra. The $7 figure given you must have applied to the whole ginning process.

If we can be of any further service to you, please let us know.

Yours very truly,

VICTOR H. SCHOFFELMAYER,
Agricultural Editor.

Please get report by A. P. Brodell and M. R. Cooper, United States Department of Agriculture, "Requirements and costs for picking, snapping, and sledding cotton in west Texas."

I have the Brodell and Cooper report referred to in the postscript of Mr. Schoffelmayer's letter. It contains some very valuable information, but, consisting of several pages with a number of tables of comparative costs, is most too long to be inserted in the RECORD. It is the only formal publication issued upon this subject by the Department of Agriculture.

At the bottom of page 6 of the Brodell and Cooper report is a table of comparative costs of gathering and ginning a bale of cotton in Texas as to both sledded and hand-picked cotton. It is shown that according to the scale of wages prevailing there at the time that the total cost of gathering and ginning a bale in the Great Plains district of Texas when

picked by hand was $22.33, while the cost when sledded was $12.39 per bale. On its face this represented a difference in cost of $9.94 in favor of sledding. But when we take into consideration the fact that the bale of sledded cotton sells in the market at $10 less than the bale of hand-picked cotton, then there is an actual cash balance of 6 cents per bale in favor of the hand-picked cotton.

This report, as well as all other authorities, shows that the sledded cotton sells at 2 cents per pound less than hand-picked cotton. This is a loss of $10 on each 500-pound bale. On larger bales the loss per bale is correspondingly greater.

Of course, there may be times, as in 1926, when, as a salvaging proposition, it is advisable, where practicable to do so, to use the sledding machine, regardless of the difference in cost. A scarcity of labor for hand picking may also render it necessary to use the sled in some instances where otherwise it might not be used.

Then, again, owing to the shortness of the seasons where sledding has been in operation, many of the cotton bolls do not mature and open. Still they contain lint, which has some value. This is known as "bollie" cotton. It can not be picked by hand, but can be salvaged by sledding. Several thousand bales can be saved in this manner which would otherwise go to destruction.

Mr. Garrett's observations were made in the spring of 1927, following the rather optimistic reports on the sled gathering of cotton in the fall of 1926. He assumed that it had passed the experimental stage, and he also failed to take into consideration the fact that the method can be applied in only a very limited portion of the area of cotton production. If he will review the case in the light of the present time, he will ask to revise his remarks. If he should await the lights of another year, he might, then, possibly, ask to expunge them from the record.

Mr. Garrett is in error in assuming that the high-powered mass-productive methods of cotton farming in Texas have been altogether successful. Rather, it might be said that such method has been weighed in the balance and found wanting. Up to this time the most successful farmer has been the man who has endeavored to curtail his production to that which can reasonably be gathered by the members of his own family. The so-called "cotton patcher."

Any known method of intensive cotton farming must, of necessity, be carried on with hired labor. Labor has left the farms and gone to the cities and to the industries. It is now so scarce on the farms and so high priced that the cotton crops produced by it will not pay the cost, except, possibly, in an occasional year. This is true no matter what method is carried out.

Furthermore, the high-powered intensive methods of cotton farming referred to would in a few years exhaust the fertility of the farms to such an extent as to render them almost worthless. Under such system it is not practical to rebuild or maintain the soil by a systematic rotation of crops as can be done by the man who plants only a small portion of his farm in cotton.

A farmer can, of course, improve upon his methods of farming and should do so. But he can not escape taxation, nor can he materially improve his marketing conditions without Government action to assist him. If he had nothing but the home market to deal with, he might possibly do so, but the marketing of the leading farm products is now a national and international problem. Cotton produced in the United States is sold on the markets of all the leading European countries, while cotton products are sold to all the world.

Tariff can aid the farmer so far as home consumption is concerned, but has no effect upon those crops that are sold abroad. It is idle for anyone to contend that the farmers themselves can deal with such international trade or marketing conditions. It is a problem for our Government. The McNary-Haugen plan is intended to take care of such conditions. Some say it will work; others say it will not work. We can never know until it is tried. If it works it will be a great boon to a large class of people sorely in need. If it does not work it can be cast into the discard.

I respectfully submit, sirs, that those who consider the McNary-Haugen plan a "price-fixing" measure have failed to comprehend its purpose. Under its operation no board would ever invoke the power conferred upon it as long as marketing conditions were normal. Its purpose is to secure orderly marketing of staple farm crops and prevent slumps and panics such as we had in the cotton market in 1926 and in the rice market of the past year.

The fact that every five or six years there is a temporary overproduction of cotton is no reason why a world panic should be created in the cotton market. The record shows that in a series of years we have as many years of underproduction as we have of overproduction. With properly regulated marketing conditions neither should be the cause for alarm.

It is largely the irregularity of the markets that cause these extremes in production. The high prices that obtain in a year of underproduction usually cause it to be followed by an overproduction, and vice versa. Such fluctuating conditions are the paradise of speculators and stock gamblers, but they keep the farmers' nose to the grindstone. If the consumers should occasionally get the benefit of cheaper cotton goods, the net result would not be so bad, but we find that such is not the case. No matter what the price of cotton, the man who wears socks, shirts, and one gallus continues to buy them at the same price.

Temporary fluctuations in the price of cotton, no matter how great they may be, have but little effect upon the price of cotton products. It is not unreasonable that this is the case. When we had the slump in the cotton market of 1926, the cotton goods being sold at that time were made of cotton for which a much higher price was paid by the spinners, consequently there was no reduction in the price of cotton goods. The manufacturers know that in a year or two the price of cotton will be evened up, no matter how high or how low it may occasionally go for a season. Conditions such as I have mentioned, aided by the tariff and by organization, render it possible for the manufacturers to market their products in a more orderly manner than is possible for the farmer to do. I, for one, believe we have the legal right, and that it is our duty to come to the aid of the farmer in helping him to improve his marketing conditions. Of course, men may differ as to the plan of such aid.

Roughly speaking, Mr. Garrett's plan of farm relief is to drive from the farms those who grow cotton on a small scale and let those continue in the business who grow it on a large scale by high-powered labor-saving machinery. This is the way he says big industry has succeeded over little industry, and that the big farmer should drive out the little farmer in the same way. No trust ever had a more able or willing defender. Instead of seeking to curb the power of the trusts in industry, he would even extend it to agriculture, to whom all mankind must look for food and raiment.

The main purpose of Mr. Garrett's series of articles was as a criticism of the McNary-Haugen plan of farm relief. He deplored the mentality of the farmer who believed in it and criticized the motive of the lawmaker who advocated it.

I have here called attention to two methods of proposed farm relief. Mr. Hopkins, the Kansas autocrat of 2,000 acres, who has neither horse nor mule on his princely plantation, to say nothing of an ox or an ass, would deprive the little farmer and his family of the use and pleasure of an automobile. Mr. Garrett, the paper farmer of Wall Street, would drive him from his home and compel him to seek employment elsewhere. In either case, the so-called "cotton patcher" is left between the devil and the deep blue sea.

This reminds me of the story of the young man upon his examination for license to practice law. When asked to define the difference between murder and manslaughter, he replied that there was no difference. When called upon to explain, he said that to the man who was killed it mattered but little whether he was murdered or manslaughtered.

So it is, Mr. Chairman, with the little farmer or the "one-mule cotton patcher." By the sweat of his brow he feeds and clothes a multitude, who may "joy ride" in automobiles while he and his family must travel in a more humble way. This is the viewpoint of Mr. Hopkins. According to Mr. Garrett, he must be driven from his home to seek employment elsewhere.

To the little farmer and his family it matters but little whether their home and business is to be murdered in the one way or manslaughtered in the other.

Mr. Garrett further says:

> The Texas growers are not interested in acreage curtailment. For that reason they are complained of bitterly. But why should they reduce their acreage? Rationally, they should increase it as fast as possible, and be encouraged to do so, because they are saving for this country what the old Cotton Belt people were by way of losing—namely, a dominant position in the cotton culture of the world. They are saving it as we have saved other advantages in the field of international trade. We met the low-wage labor of the world with high-wage labor and beat it by superior methods.

The best possible answer to this contention that cotton farmers should increase their production is found in the actual results of 1925 and 1926. In 1925 the crop was about 16,000,000 bales. In 1926 it was about 18,000,000 bales. Yet the smaller production of 1925 sold for approximately one-half billion dollars more than was received for the larger crop of 1926.

At $100 per bale, the 2,000,000-bale surplus of 1926 would have been worth $200,000,000. By permitting that surplus to be dumped upon the market, as was done, it caused a loss to producers and local dealers of about two and one-half times its own value. In other words, if the farmers themselves, collectively, could in some way have purchased this 2,000,000 bales outright at a fair price and then destroyed it in a great bonfire, they would still have been the net gainers of about $300,000,000. These are enormous figures to deal with, and a solution of this serious problem is worthy of the best thought of our land.

If the McNary-Haugen bill had been in operation, and had been found workable, it would have kept that 2,000,000-bale surplus off the market entirely in 1926, and without loss to the farmers. The board could then, through the medium of a threatened equalization fee, and organization of the farmers, have forced a corresponding reduction in the plantings of succeeding years, until this 2,000,000-bale surplus could have been absorbed. To have accomplished this would have required the expenditure of about $40,000,000 from the revolving fund, which would have been returned to the revolving fund without loss at the end of the transaction.

Of course, this is all dependent upon the law being found to be workable. Its opponents say it will not work, and that it is theoretically unsound. If some one a few years ago had foretold of the radio, doubtless we would all have said it "won't work."

Mr. Chairman, for many years we have tried to induce the farmer to reduce his acreage in the staple crops and diversify. Now, we are told that he must specialize on the staples, on a greater basis, in order to produce greater quantities at comparative less cost. I submit, sir, that the social and economic results of such a system of industrialized agriculture would be more harmful than would McNary-Haugenism—even as might be pictured by a Dante or Gustav Dore, or as visualized in the veto message of the President. [Applause.]

Mr. DICKINSON of Iowa. Mr. Chairman, I yield five minutes to the gentleman from Ohio [Mr. THOMPSON].

Mr. THOMPSON. Mr. Chairman, I am interested in the corn-borer legislation contained in this bill and my people are very much interested. A number of my constituents testified before this subcommittee of the Committee on Appropriations and their testimony is in the hearings.

I find that legislation with respect to the corn borer does not come before this subcommittee of the Committee on Appropriations and that this subcommittee only recommends an appropriation for research work, and that is agreeable to my people.

Mr. Chairman, I have been a member of the Committee on Agriculture of the House since the Sixty-seventh Congress. It is a great committee, and has some practical farmers on it, but many of its members are lawyers who are not specialists in agriculture. So far as I am concerned, I am just a native son of northwestern Ohio. I have not a nimble tongue, nor am I trained to heckle dirt farmers from my district when they come before committees of Congress for hearing of their grievances.

At the close of the Sixty-ninth Congress, when the Committee on Agriculture had become worked out physically and exhausted from attending hearings on "farm relief," and finally produced the McNary-Haugen bill, which was promptly vetoed by the President, there was introduced into the committee a bill providing for an appropriation to the tune of $10,000,000 for the work of exterminating the European corn borer, so called. It was given scant debate by the committee, because the committee felt it was doing something to help the farmer. They had been made to feel by the representations of an organization, so called, that it was necessary to put over a $10,000,000 appropriation.

Now, in the Seventieth Congress there is reintroduced before the Committee on Agriculture a bill authorizing the appropriation of $10,000,000 more for the same purpose, to be administered by the same people who administered the former act. This last bill that was passed in the Sixty-ninth Congress caused a rebellion in northwestern Ohio. The men who are interested in this corn-borer legislation are the head of the department of agriculture of Ohio and a candidate for the nomination as United States Senator from Ohio to succeed the junior Senator from Ohio, and Dean Christie, of the college of agricultural-extension work of Purdue University in Indiana. They are the men who are back of the legislation and the administration thereof. They call themselves the European Corn Borer Association.

The other day we had an example of genuine dirt farmers from the fifth Ohio district, who appeared, with hat in hand, before the Agricultural Committee of the House, respectfully requesting the right to object to another appropriation. Before they finished their testimony they found themselves heckled by smart lawyers.

Now, I propose to represent my constituents by protesting against this further appropriation of $10,000,000. The genuine farmers of my district are men who came to northwestern Ohio in early days, when it was a rough land, covered with mighty forests. There were no paved highways or improvements, nothing but a wild, swampy land, thickly wooded. They came from Germany. They were invited as immigrants, and told if they would come here and live on the land, removing the forests, ditching and tiling the land, that they could live in peace and retain their own language, their own religion, and their own parochial schools. They have done all this, and their descendants to-day are worthy sons of those pioneer men from Germany. They are splendid farmers. You had a sample of one of them here the other day as a witness before the Committee on Agriculture of the House. They are Americanized people now, and educated, some of them at the Purdue University. The promise made to them has not been kept.

During the war many of them naturally shifted their political allegiance, and in addition to making northwestern Ohio bloom as the rose and become the fairest and most prosperous agricultural county in Ohio, they have also changed it politically. These are the men I am pleading for to-day.

Now, the practice of legislation in this Congress grew out of the World War. Before that war it was not the practice to rely solely on the Government departments for advice. Legislators were supposed to know something themselves, but now the men in the departments are our masters, and tell us what to do. Our committee can not pass any legislation nor can any other committee of the House pass legislation without the approval of the departments, and often this approval is furnished to the heads of the departments by chiefs of divisions, who are under civil service and who are retained in perpetual jobs. The result is that there is a self-perpetuating bureaucracy of the worst type growing up here at Washington, and the men who furnish the taxes have not a word to say. Those on the committee who attempt to justify the advice of the department chiefs and bureaucrats in telling our Committee on Agriculture what to do, say to witnesses that the rich men are paying the taxes; that the Federal taxes is the money furnished by the rich; and that the farmers do not pay any Federal taxes, and therefore the extravagant appropriations are extolled as a good investment for the farmer. That is the argument.

Now, a word as to this corn-borer situation. There is a great feeling against it in Ohio, and we do not wish to be ruled by a so-called European Corn Borer Association. In Ohio we feel that we are now governed by despotic agencies. Farmers and city residents are both the victims of public servants who have become "bosses" of the people. It is a decline of popular government; our methods of committee legislation at the present time.

When the last appropriation was made of ten millions for this mythical Corn Borer Association, the Legislature of Ohio followed suit. It had no money to keep our State library open, so it closed it and voted more than twice that sum to support the corn-borer guards. Then a strange thing happened. General Motors and International Harvester began to deliver the war machinery the very day this bill went into effect, and they continued to deliver it as long as the ten millions lasted. As former Congressman C. L. Knight, of Akron, so well said:

> A war camp was gathered at Toledo, greater than Grant had when he started to capture Richmond. There were 800 sedans to bear 800 new inspectors on the wings of the morning out over the provinces to order the farmer to plow up his planted fields. There were four hundred 10-ton trucks and six hundred 1-ton trucks; probably the 10-ton trucks were to carry the bodies of the big corn borers from the field of action, while the small trucks were to haul off the little borers. I do not know, but I do know that there were beaters, choppers, gang plows, and God only knows what else gathered in this 10-acre war camp. Most of it is still there, but every vehicle that could bear away a pap sucker is gone.

In the meantime, the net result of all this has been just nothing at all. Officialdom has saved us from an imaginary enemy, and the tyranny of the educated has caused farmers to think that there is an European corn borer at work in their fields. All under heavens that is needed to protect the farmers against the European corn borer is a rotation of crops. Officialdom has saved us from an imaginary enemy at the cost of millions of public funds and now wants to save us again at the cost of another ten million, for certainly we have a new army of pap suckers, whose sticking qualities will fulfill Christ's prediction about the poor.

I have at all times stood for, and voted for, any and all legislation for betterment of the conditions of the farming class. I am ready and willing to do this again, but I am not ready to

vote for another great appropriation in the name of the corn borer. The farmers of Ohio justly feel that the appropriation of $10,000,000 was badly administered by State officials having the matter in charge, and that much more harm than good resulted from the use of the money in the so-called corn-borer campaign.

The Appropriations Committee has provided ample funds for research work. If $10,000,000 additional funds in an emergency appropriation like this is to be extravagantly enacted a second time on this foolish corn-borer drive, then I am against the use of part of it for the purchase of machinery by the so-called Harvester Trust as was done last summer. If a subsidy is to be voted to the farmers, I believe the money should go direct to the farmers and that they should be liberally paid for cleaning up their own land. Unless something like this is done, I shall vote against the entire foolish business.

As I understand it, the powers that be are not favorable to this legislation; the Secretary of Agriculture, Mr. Jardine, is against it; the Budget Commissioner, Gen. H. M. Lord, is opposed to it, and Hon. MARTIN B. MADDEN, chairman of the Committee on Appropriations of the House, looks with disdain upon it. Here is his sentiment recently expressed on this floor:

I tell you, gentlemen, that the time is coming when you can not afford to run away because some fellow sends you a telegram. That is about what it means. I have had five telegrams this week of that character. I had a telegram the other day from the Illinois Bankers' Association, in which they said they wanted me to vote for $10,000,000 again this year for the extermination of the corn borer; and I wired back and said: "We gave them $10,000,000 for 1928." Five millions of that were spent for machinery, some of which is now probably on the scrap heap. Four millions was paid to farmers for cleaning up their own premises. I am against that kind of expenditure, whether it is for the Army or for the Navy or for the farmer. What we ought to do is to take a sane view of all these situations.

Hon. FRED S. PURNELL, of Indiana, is author of the bill. Dean Christie, of Purdue University, together with the candidate for Senator from Ohio, Mr. Truax, form the essential part of the so-called European Corn Borer Association of the United States. It is such mischievous agencies as these who waste the people's money to perpetuate their jobs and farm the Government. This is a result of the tyranny of the educated.

Now, you say the people want these things. I say they do not. The farmers ask not to be meddled with by an overabundance of snooping State agents. The farmer who works, the industrious German farmer—not the one who farms by riding around in his automobile—asks to be let alone. They would even appreciate the repeal of the Smith-Lever Act which appropriates $500,000 per year to keep up the Federal Farm Bureau agencies throughout the United States. You just try the real dirt farmers when you go out among them and see whether they wish to be subsidized or not. You can go any place in any district in the United States and express the courage that you ought to have to the people and ask them whether they want use of public money even for corn-borer campaigns.

I recently received the following letter from a farmer of my district. It is a fair sample of the letters I receive:

DESHLER, OHIO, *February 12, 1928.*

Hon. C. J. THOMPSON,
Member of Congress, Washington, D. C.

SIR: Just received bulletin on how and what to do with cornstalks. Thought I would let you know what American farmers think of such rot. What do you suppose that rotter Worthley thinks the American farmers are? Idiots or what? You know farmers broke and raked stalks when you were a boy. Now, this bird is spending the taxpayers' hard-earned money sending out bulletins telling the farmers how to do work that is nearly done; at least nearly all the stalks are broke.

Well, Mr. THOMPSON, if you don't think that farmers in your district know how and when is the best time to handle their cornstalks, then I think you are a mighty poor man to represent us farmers in Congress.

Will close hoping you will see the light and do all in your power to rid the farmers and taxpayers of such dumb asses as Worthley.

Yours respectfully,

S. J. CHRISTMAN.

For the benefit of this gentleman I gave him the inside of the cause of the legislation last year and the evident reason for the attempt to reenact it this year, as follows:

In September, 1926, a body of representative citizens of the United States and Canada, alarmed by the havoc wrought by the European corn borer in Kent and Essex Counties, Ontario, and the damage observed in fields of corn along the American shore of Lake Erie, met in Detroit, adopting the title "International Corn Borer Organization," and appointed an executive committee with power to act.

The general idea of the 1927 compulsory clean-up campaign originated with this body, which was composed of G. I. Christie, La Fayette, Ind., as chairman; Director of Agriculture C. V. Truax, of Columbus, Ohio, as secretary; and nine others, representing State departments of agriculture, the Canadian Department of Agriculture, two of the largest farmers' organizations in America, and State agricultural colleges.

This committee, with the approval of the President and the Secretary of Agriculture, then had a bill introduced in Congress for a $10,000,000 appropriation to be expended in cooperation with the States of New York, Pennsylvania, Ohio, Michigan, and Indiana, in an effort to control the borer and demonstrate the fact that by concerted effort of the farmers in the infested area the borer either could be reduced or held to a minimum number.

The Federal Government having no police power whatever in the States, the act of Congress making the appropriation specifically provided that no part of the $10,000,000 could be spent unless and until each and every State in the control area had enacted necessary regulatory legislation.

A bill was then passed by the Ohio General Assembly providing for the State quarantine and control of the corn borer, and making an appropriation therefor. And all corn borer regulatory activities in Ohio have been performed under and by virtue of this Ohio statute. While the Federal Government has borne the great share of the expense of conducting the clean up in Ohio (the Federal Government paying direct to the Ohio farmers, up to October 31, over $2,250,000, or thirty-three times as much in Federal payments direct to the farmers alone as the State of Ohio had expended since January 1 of last year for all corn-borer-control work), by providing machinery and men and bearing all the expense of reimbursing the Ohio farmers for their extra labor, wherever any Federal officer or employee has exercised any police authority in Ohio, he has done so purely by virtue of his appointment by the Ohio Department of Agriculture as an Ohio State officer or agent, and after being so deputized by the State of Ohio his authority as a corn borer regulatory official has been limited entirely to the enforcement of the rules and regulations promulgated by the Ohio State Department of Agriculture, pursuant to the corn borer act of the Ohio General Assembly.

I replied as follows to his letter of February 12, 1928:

FEBRUARY 28, 1928.

Mr. S. J. CHRISTMAN,
Deshler, Ohio.

DEAR MR. CHRISTMAN: In response to your letter of February 12, concerning the corn-borer-control work by the Federal Department of Agriculture, I have this to say: I doubt if you understand just what part of this clean-up work is done by the Federal Government. I presume you have the impression, as many Ohio farmers have, that the rules and regulations concerning this work are made by the Federal Government. Such is not the case.

The Federal Government has no police powers over the citizens of Ohio, or, in other words, a Federal official can not enter upon your farm and require you to clean up your cornstalks, etc. The rules and regulations, quarantine lines, and control work are made and done entirely by the State. All the Federal Government can do and does do in the matter is to meet some of the expenses incident to this control work and compensate the farmer after the work is done. To be sure, some of the Federal officials have been deputized as State officials by the director of agriculture of Ohio, and therefore have State authority.

Your complaints as to rules and regulations, therefore, should be made to the director of agriculture of Ohio, at Columbus. He is charged with the enforcement of the Ohio law covering this pest, and similar laws. It might be of interest to you to know that the Federal Government last year, prior to October 31, paid direct to the Ohio farmers $2,250,000 for born-borer clean-up work. I feel that the Ohio farmers, instead of criticizing the Federal Government in the corn-borer work, should commend it for the reason that if the Federal Government had not entered into this matter probably no compensation would have been made for the extra expense necessary in the clean-up.

Thanking you for your communication and assuring you that I appreciate the trouble which this pest has caused you and other farmers of Ohio, and also pledging you that I will give the matter most earnest attention and assist in every way I can to lighten the burden which is placed upon the corn growers in the corn-borer-infested area, I am,

Very truly yours,

C. J. THOMPSON.

P. S.—I am inclosing a statement issued by the Assistant Secretary of Agriculture April 24, 1927.

I received a second letter from Mr. S. J. Christman, as follows:

DESHLER, OHIO, *February 25, 1928.*

Hon. C. J. THOMPSON,
Member of Congress, Washington, D. C.

DEAR SIR: Received your letter of February 20, and as you asked my opinion on the corn-borer situation I will write and tell you. Mr. THOMPSON, I am bitterly opposed to another appropriation; you

no doubt have heard all the arguments against it, so I will not try much to tell you why I oppose the appropriation. If you will take a geography and take the time to look at the sea level of the different sea levels of Essex County, Canada, Pecley Island, and Ottawa County, you will find them just about the same, so I feel is all the places they will do any damage, and men from those districts tell me if they rotate properly and rake their stalks the borer will do no damage. So when the people of Ottawa County are against the appropriation why should not I, in a county like Henry County, where there are scarcely any or none at all. Will close, hoping to be able to support you next fall for your part in defeating the $10,000,000 two-legged borer swindle.

With best regards,

S. J. CHRISTMAN.

Mr. DICKINSON of Iowa. Mr. Chairman, I yield 20 minutes to the gentleman from Kansas [Mr. HOPE]. [Applause.]

Mr. HOPE. Mr. Chairman and members of the committee, this bill makes an appropriation for the carrying on of the packers and stockyards administration, a matter of great importance to the livestock interests of the country. The passage of the packers and stockyards act in 1921 was designed to break up the indefensible practices which were being engaged in by the big five packers in manipulating livestock markets, controlling prices, crushing competition, and defrauding producers.

The act has accomplished great good, and under its provisions the Secretary of Agriculture has been able to stop most of the wrongful and objectional practices which formerly existed. The original law, however, was not broad enough in its definition of a stockyard, and by reason of that defect there has grown up a system whereby prices on livestock are being manipulated and depressed to the extent that livestock producers are taking a loss of many millions of dollars a year. I refer to the system of direct buying of livestock, particularly hogs, at the big terminal markets through the operation of private stockyards, which system has grown to amazing proportions in the past few years.

During the week ending February 25 hog prices dropped lower than any time since late in 1924. In the past few months there has been a break of between three and four dollars in the hog market; no real reason has or will be offered for this. Neither the supply of live hogs on the farm or of the finished product in storage would justify any substantial lowering of prices, and receipts for the 67 principal markets for 1927, while slightly exceeding those for 1926, were 13.2 per cent below the five-year average. Exports were slightly lower than in 1926, but this decrease was more than made up by the normal census increase in domestic demand.

Mr. COLE of Iowa. Will the gentleman yield?

Mr. HOPE. Gladly.

Mr. COLE of Iowa. Is it not true that the estimated number of hogs in the country—which, I believe, is the estimate of the Department of Agriculture—exceeds by 6,000,000 the number of last year; and is it not true that during the first six weeks of this year the number of hogs slaughtered exceeded by 1,500,000 the number of hogs slaughtered last year during the same period; and is it not possible that this extra supply of hogs may have had some influence on the price?

Mr. HOPE. I will say to the gentleman that I do not have the figures as to the number of hogs slaughtered during the first six weeks of this year as compared with last year. Those figures may be correct, but I do not understand that the figures of the Department of Agriculture show that there are 6,000,000 more hogs in the country to-day than there were at this time last year.

I call the gentleman's attention to the fact that if there are that many more hogs this year than there were last year that that in itself is not sufficient to affect the price of hogs to the extent that it has been affected during this last year. This drop in the price of hogs took place about seven months ago, and the price of hogs has been going down ever since. Some of the packers have said that it was due to the loss in exports of hogs, but I call the attention of this committee to the fact that the exports last year were only equivalent to 900,000 hogs less than there were the year before, and the president of the American Institute of Meat Packers has admitted that this is less than the normal census increase in the demand in this country during that time. I call attention also to the fact that while the receipts of hogs in the 67 principal markets of this country last year were slightly in excess of those for the preceding year that they were lower by 13.2 per cent than the five-year average. So I do not believe it can be said that the receipts of hogs in the central markets or the supply of meat in storage or the hogs on the farms are any justification for the great drop that has taken place in hog price.

One packer representative attempted to explain the decline by stating that there was an unusually large catch of fish along the New England coast last year. It will take something more than a fish story, however, to convince the producer who is getting 3 or 4 cents per pound less for his hogs than he should be, that he has not been defrauded out of that sum by manipulation of the market.

Even when conditions are at their best the producer of meat animals labors under a tremendous disadvantage in the sale of his product. In the first place, the producers are scattered, unorganized, frequently of limited means, and in many cases not in a position to keep informed of market trends and conditions. The buyers, on the other hand, are well organized, with unlimited financial resources, and in touch with world market conditions. Another feature which places the producer at a great disadvantage is that ordinarily the animals must be sold when they have reached a certain weight or condition of flesh, and that once started to market, there is no alternative except to sell at the best price offered.

Since the producer is confronted with these handicaps to start with, he is surely not unreasonable in asking that he be allowed to sell on a competitive and open market instead of on one which is under the absolute control of the purchasers, and yet that is what the producer is up against to-day.

Mr. LANKFORD. Will the gentleman yield?

Mr. HOPE. I yield.

Mr. LANKFORD. Has pork gone down proportionately with the fall in the price of hogs?

Mr. HOPE. I have not heard of it.

While packers have engaged in private buying for a number of years, it is only since the passage of the packers and stockyards act, and particularly in the past three or four years, that it has been engaged in by the big packers, that it has become a menace to the producer. Recent figures indicate that approximately one-third of the hogs killed by the packers are marketed direct. Swift & Co. maintain private yards in connection with their plants in both Chicago and St. Louis, Cudahy has a private yard at St. Paul, and Armour & Co. maintains a private yard, known as the Mistletoe yard, at Kansas City, where its purchases have for several years past greatly exceeded its purchases on the open market there.

The practice of private buying at the terminal markets operates to the detriment of the producer in at least four ways. In the first place, packer buyers in local communities, known as selected shippers, by unfair methods drive out competition, so that the farmer with less than a carload of hogs has no other market outlet. This practice of buying through selected shippers is a rather ingenious and interesting one. The practice is to give one person in a locality the exclusive right and privilege to ship to the packer's private yard, and though it is not invariably true it is the general custom that no one from that territory, excepting the selected shipper, has the right to ship to the packer yard. The livestock so shipped remains the property of the selected shipper until received, weighed, graded, and priced by the packer employees. The arrangement with the shipper is that the price established on the nearest competitive stockyard shall determine the price of the livestock he delivers. The selected shipper is not an employee or agent of the packer, and simply intervenes as a middleman having exclusive authority to sell to the packer at the private stockyard.

In connection with the practice of purchasing through selected shippers, the large packers apparently have an understanding, either express or implied, that they will not compete with each other in direct buying. Thus there has grown up a system of apportioning territory among packers, so that one packer will buy along one railroad branch or in one county, and another packer will have the exclusive right to purchase in another territory or county.

In the second place, by reason of the selected-shipper plan, the packers are enabled to get the best hogs in any territory without competition. The result is that the inferior hogs are shipped to the central markets, and thus make the price for the good hogs purchased direct.

Again, since the private yards are being operated without Government supervision and inspection, there is nothing whatever to guarantee the farmer fair grading and weighing, since the packer himself fixes the grade, weight, and price. Perhaps it should be here remarked that the packer's contention that it is economy for the farmer to ship direct, because he saves commissions and handling charges, is not regarded as seriously by the farmer as it once was. A few direct shipments have convinced many farmers that the claimed saving is absorbed in dockage, shrinkage, and unfair grading.

Mr. LANKFORD. Will the gentleman yield further?

Mr. HOPE. Gladly.

Mr. LANKFORD. How do the other farmers in the neighborhood manage to sell their hogs? Do they sell them to the

selected shipper and he in turn sell them to the packers? Does the selected shipper act as agent for the packers?

Mr. HOPE. The selected shipper is not the agent of the packers, according to my understanding of the system. The general practice, as I understand, is for a packer to designate some one as the selected shipper in that locality, and under the protection which the packer gives him he is able to outbid the other buyers or cooperative marketing associations until eventually he gets the entire field to himself. Then there is only that outlet for the hog raisers in that vicinity, unless they are able to furnish carloads themselves.

Mr. LANKFORD. Does that really give the selected shipper a monopoly on the hogs in the neighborhood?

Mr. HOPE. It does; and that is the general effect of it. Of course, any man having a carload of hogs can ship them direct, but the average farmer only has a few hogs and he has to sell them to the local buyer. That is his only outlet.

Mr. O'CONNELL. Will the gentleman yield?

Mr. HOPE. Yes.

Mr. O'CONNELL. According to the gentleman's statement, then, he is contending that unless a man who raises hogs stands in with the packers he can not sell them at all?

Mr. HOPE. Not necessarily.

Mr. O'CONNELL. But pretty nearly that.

Mr. HOPE. In a good many cases it has that effect.

Mr. COLE of Iowa. Will the gentleman yield for a question?

Mr. HOPE. Gladly.

Mr. COLE of Iowa. The gentleman is in favor of the bill amending the packers and stockyards act?

Mr. HOPE. The gentleman means the one recently introduced?

Mr. COLE of Iowa. The one which is now pending.

Mr. HOPE. Yes.

Mr. COLE of Iowa. Will the gentleman tell me how that bill will affect the packers in towns such as we have in Iowa, where there is only one plant or one packer in the town? We have about a dozen packing plants in the State of Iowa, and there are no public stockyards. How is the owner or the manager of a plant of this kind going to buy his hogs unless he buys them direct from the farmer? For instance, take my home town, Cedar Rapids. We have a packing plant but no public stockyard. Must we go to a terminal market like Chicago to buy hogs for this plant?

Mr. HOPE. I will say to the gentleman in answer to his question that this bill will not affect that situation at all and is not designed to affect that situation.

Mr. COLE of Iowa. The gentleman thinks it will not apply to towns situated as Cedar Rapids, Iowa, is situated, with one packing plant and no public stockyard. The gentleman thinks the bill now pending would not affect situations of that kind?

Mr. HOPE. I do not think so, and I will say it is not the intention to affect that arrangement at all.

I realize the force of the gentleman's statement that that is the only opportunity the small packers have to buy hogs—by buying them direct. The purpose of the bill is to regulate the stockyards in the terminal markets which actually do affect the price of hogs.

Mr. COLE of Iowa. I think the exception in behalf of the smaller packing centers, where there is only one plant, ought to be made very definite in the bill. We do not want to have such packing plants interfered with. They are the hope of our country.

Mr. HOPE. I agree with the gentleman that they ought not to be interfered with and this bill is not designed to interfere with them. I might ask the gentleman if he has read the bill which was introduced in the House on Monday by myself.

Mr. COLE of Iowa. No; I have not had an opportunity to study the revised bill. I understand the bill has been thoroughly rewritten, and I hope the point I have raised is covered in it.

Mr. HOPE. But the most serious effect which direct buying in large market centers has on the market, is that the supply of hogs received direct enables the local packer to manipulate and depress the market, not only in the market centers but everywhere, because livestock prices the country over are determined by the prices at the big terminal markets like Chicago and Kansas City.

The packer is the biggest factor in fixing the price in all of the terminal markets. His desire to buy is in proportion to his need for a supply. If he has to purchase his hogs on the open market, he will be there early bidding against other local packers and the order buyers for out of town packers. On the other hand, if he has hogs in his private yards received through his selected shippers, he is not particularly interested in buying. What actually happens in such cases is that he stays off the market altogether or waits until afternoon after the order buyers have bought, and then makes his purchases. Thus the order buyers go on in the morning and get their hogs without any competition from the packer, and the packer goes on in the afternoon and buys without any competition from order buyers. With no competition all day the market is naturally dull.

The producer has to sell, his hogs are perishable; he can not hold for a better market, but must take what may be offered him by a buyer who does not particularly need the product and whose sole object is to buy as cheaply as possible. Sometimes the packer does not go on the market at all. Swift has stayed off the market at Chicago for two days at a time for two or three weeks in succession. What actually happens is shown in the following article taken from the Kansas City Drovers Telegram for February 11, 1928: "Packers are making the statement that buying hogs direct in the country is the most economical way." It is for the buyer, but not for the producer.

> Monday, February 6, supplied an outstanding example as to which side direct buying throws its economy. On that date 23,624 hogs arrived in Kansas City. Out of this number 14,865 were consigned direct to packers. On the open competitive market there were 8,759 hogs offered for sale. Of this number shippers and order buyers took 1,959 and the packers, who received 14,865 hogs direct, took only 6,430 on the open market. Packers did not make a single purchase until after the shippers and order buyers had filled their orders. The market ruled 10 to 20 cents lower, and the lowest since 1924. Packers got their hogs on the open market at the full decline and at the same time bought another liberal supply in the country on the low basis of the open market. In other words, through the break in Monday's prices packers got more hogs Monday and through Monday's buy in the country than they bought the entire week on the open market. Since Monday there has been a substantial advance in prices, so it stands to reason that as a result of Monday's directs packers gained a flat 25-cent advantage in this week's buy.

Since it is obvious that the system works to the detriment of the farmer, it may occasion some surprise that the packers are able to buy so many hogs that way. The answer lies in the fact that by reason of the vicious system of dividing up territory and apportioning it among selected shippers local competition has been eliminated. Many producers have no other outlet for their product. On the other hand, it is only fair to say that a few producers honestly believe that they are benefiting themselves in making direct shipments because they are told that they save commission and yardage charges.

H. R. 11525, recently introduced as an amendment to the packers and stockyards act, is designed to correct the direct-buying situation. This measure enlarges the definition of a stockyard to include any place, establishment, or facility consisting of pens or other inclosures and their appurtenances in which live cattle, sheep, swine, horses, mules, or goats are received, held, or kept for sale, slaughter, or shipment in commerce in sufficient volume or in such manner or under such conditions as tend to establish or effect substantially the market value in commerce of livestock and the difference in market value between the various grades of livestock at public stockyards. Under the original law it has been held by the Attorney General that the packers and stockyards administration had no jurisdiction over the so-called private yards, even when they are in close proximity to the great public markets in Kansas City, Chicago, and St. Louis.

The bill specifically makes it unlawful for a packer or stockyard owner to pursue any of the practices which now make direct marketing in the big terminal centers so detrimental to the producer. It forbids the granting of any undue or unreasonable preference or advantage to any person or locality; or selling, buying, or receiving livestock for the purpose of manipulating or controlling prices; the apportioning of territory or engaging in any course of business for the purpose of or which has the effect of restraining, hindering, burdening, obstructing, or changing the normal flow of livestock in commerce for the purpose of manipulating or controlling prices.

For a violation of these provisions of the law the Secretary is given authority after notice and hearing and subject to review of the courts to suspend any owner or operator of a stockyard. It is thought with the authority thus granted the packers and stockyards administration will be able to regulate and stop the objectionable practices now engaged in by the packers.

That the producers of the Nation are becoming aroused over the matter is shown by the wide interest which farmers and farm organizations are taking in it. No subject along the line of agricultural legislation has been discussed with more eagerness at farm meetings and among individual farmers. Last year when a bill somewhat different from the present one but seeking to accomplish the same purpose was pending before the

Committees on Agriculture in the House and Senate it was indorsed by the following national farm organizations: The National Farmers Union, the American Farm Bureau Federation, the National Livestock Producers Association, the National Grange, the American Farm Congress, the National Cooperative Milk Producers Federation.

Numerous State and local farm and livestock organizations have in the past two months passed resolutions against direct buying, among them may be mentioned the Illinois Agricultural Association, the Missouri Livestock Association, the Kansas State Board of Agriculture, and the Kansas Agricultural Council, which is composed of delegates from the Kansas State Board of Agriculture, the Farmers Cooperative Grain Dealers Association, the Farmers Cooperative Commission Co., Kansas State Horticultural Society, Kansas State Grange, and Farm Bureau.

The Secretary of Agriculture, who has had a better opportunity than anyone else to observe the pernicious effects of the direct-buying system, has expressed the belief that—

the operation or extension of such methods of purchasing livestock by packers will in fact, if it has not already done so, impair and ultimately break down the open competitive public markets where livestock is bought and sold and where prices are established.

The board of directors of the Chamber of Commerce of Kansas City, Mo., where exists the second largest livestock market in the world, on February 14, 1928, adopted the following resolution:

The Chamber of Commerce of Kansas City, Mo., representing the entire business interests of the city, which in turn represents large interests through the West and Southwest, credits the past development of this section to its agricultural prosperity and bases its future growth upon the same foundation.

Livestock is the medium by and through which the products of our soil are marketed and the fertility of the same maintained, and we feel that the open competitive livestock markets are absolutely vital for the protection and prosperity of the producers and consumers alike.

We are therefore heartily in favor of the present open and competitive markets and are opposed to any and all systems that threaten the permanency and stability of the same and believe that Senate bill 2506 and House bill 9288 are progressive steps toward better markets.

Even the packers themselves, when pressed to it, will admit that private buying is a bad thing for the producer. The late J. Ogden Armour once testified that the private stockyard system was "not economically sound," and that the packers did not intend to extend it. However, it was not long until Mr. Armour was out of the packing business, and the present management of that company is extending the system just as fast and as far as possible.

Thomas E. Wilson, president of Wilson & Co., one of the Big Four packers, recently gave out the following interview on the subject of direct marketing, as reported in the Kansas City Post for February 15, 1928:

A stand against the practice of direct buying of hogs in territories supporting a central market has been taken by Thomas E. Wilson, president of Wilson & Co., packers.

During a tour of inspection of the Wilson plant here yesterday, Mr. Wilson set forth some ideas he has on marketing conditions, especially in their relation to the hog market.

I am opposed to direct buying of hogs where there is a central market, and I would be in favor of seeing the practice stopped in the Kansas City territory—

Mr. Wilson said.

He explained that his company is forced to buy hogs direct to supply some of its plants where there is no adequate central market. In Kansas City, however, he said he would like to see all hogs shipped to the central market so all buyers could have an equal chance to bid on them.

"As it is at present," he said, "we are forced to go out and buy hogs direct to meet competition and keep our Kansas City plant operating at capacity."

"Do you mean, Mr. Wilson, that you have to buy direct so you can get your hogs as cheaply as your competitors?" it was asked.

"Well, it figures out about that way," he replied.

"And if your competitors would quit buying driect you would be glad to quit, too?"

"Yes, I would, especially in this territory, but when one packer buys direct the others have to do it in self-defense."

He was then asked if he believed the practice of direct buying by the packers was sound economically.

"Well, I'll say at least that it is for the packers," he replied.

As to the farm end of it, he believed the direct buying practice might prove detrimental if developed much further.

"I don't believe that direct buying has hurt them much yet," he said. "Of course, if it came to the point where it eliminated central markets it might be extremely detrimental or beneficial, just according to your viewpoint."

Mr. Wilson said his company is not opposed to the bill, which would provide Government regulation for privately owned stockyards. "It is no more than fair," he said, "that shipments of hogs bought directly from farmers and shipped into our yards should be weighed and graded under Government regulation just the same as hogs shipped to the central market."

He said however, he did not believe the bill would be enacted owing to the fact that it is being opposed by some of the large interests.

Mr. Wilson predicted a more prosperous year in 1928 for the packers and business in general than in 1927. His plant here is making a profit now, he said, and he sees a bright prospect for the year in the Kansas City territory. The company's holdings are estimated to be worth more than $100,000,000.

I do not know whether, in spite of what Mr. Wilson says, his company will oppose this proposed legislation or not. It can be said, however, that the other big packing interests of the country are strenuously against it. They will not give up without a struggle the power to control, manipulate, depress, and destroy the producers' market. In this, of course, they are consistently following their practices in the past by which they not only sought to control the producers' market but the consumers' market as well. There is no darker chapter in American business history than the story of the packing industry and the vicious, unfair, and illegal practices by which it was built up. All of this is a matter of public record, and the report of the investigation of the meat-packing industry by the Federal Trade Commission reveals the entire amazing and shocking story. No words of mine could condemn the industry half as effectively as the plain, matter-of-fact report of the commission.

The illegal combination between the Armour, Swift, Morris, and Hammond firms as disclosed by a Senate investigation in 1890 was partly responsible for the passage of the Sherman antitrust law. This law apparently had no effect upon the packer combinations, however, because the Federal Trade Commission's report showed conclusively that during the period between 1890 and the time of investigation in 1917 and 1918 a conspiracy and combination had existed in the industry which defied the public, the courts, and legislatures alike. During practically all of this time there were understandings and agreements among the leaders in the industry not only to manipulate and control the price of livestock but to control the price of dressed meat and to a large extent the price of all food as well.

The packers formerly manipulated prices by their ownership and control of the public stockyards. The packers and stockyards act and the consent decree entered into by the packers took away that weapon, but apparently packer ingenuity has replaced it by the selected shipper—division of territory—private stockyards combination, which has become just as effective. It is to be regretted that it is necessary that this situation be met with legislation. In the long run it is surely to the interest of the packer that the producer, upon whom he depends, should have a competitive market and a fair price. The packer attitude has always been otherwise, however, and there is no evidence that the present Wall Street banker control of the packing industry will result in the adoption of any different policy. In fact, if there is any change, the attitude toward the producer will probably be more relentless and cold-blooded than ever, for the bankers are going to require profits and a satisfactory return on the capital—watered stock and all. Leading packers have recently given out interviews predicting a fine year for the packing industry, and stock in packing-house companies in anticipation of cheap hogs for the coming year has been steadily increasing in price. In the meantime the producer is wondering how much longer he can remain in business under the present prices. He probably agrees with Thomas E. Wilson that—

direct buying is economically sound—for the packer.

Mr. BUCHANAN. Mr. Chairman, I yield 25 minutes to my colleague, the gentleman from Mississippi [Mr. QUIN].

Mr. QUIN. Mr. Chairman, the flood control bill is what interests some of the farmers in the States of Mississippi, Louisiana, Tennessee, and elsewhere. The flood control bill in my judgment must carry this provision:

Wherever upon any stretch of the bank of the Mississippi River it shall be found inexpedient, impossible, or uneconomical to build levees for the protection of adjacent lands subject to overflow it shall then be the duty of the engineering body in charge of the territory in question to acquire on behalf of the United States Government either the

absolute ownership of the lands so subjected to overflow or the floodage rights over said lands. Such acquisition of title or rights to be by private treaty or by condemnation proceedings as in the judgment of the engineering body in charge shall appear advisable. The cost of such proceedings and the acquiring of such title or floodage rights to be paid out of the appropriation authorized for flood control of the Mississippi River.

Gentlemen, I have taken no time in this House at this session of Congress. In fact, I never get on the floor except when I am vitally interested in the subject under discussion. In my mind the gravest wrong has been committed for a number of years against the riparian landholders along the banks of the Mississippi River, especially on the east bank. I want you gentlemen to get in your minds the condition that prevails. Before the levee system ever started—I speak in behalf of four of the counties in the congressional district which I have the honor to represent—Claiborne, Jefferson, Adams, and Wilkinson Counties.

Bear in mind that from Vicksburg, Miss., to Baton Rouge, La., the capital of Louisiana, on the east bank of that river for about 250 miles some places were a mile and a half back, others 2 miles, some not so much, and others a little further where these fertile farms were not only in cultivation, but producing splendid crops of corn, cotton, and other farm products. In these particular counties I have named, some places had magnificent brick homes, palaces, with hundreds and, some with thousands, of acres of land, splendid tenant houses, with all these people working making an honest and legitimate living.

This continued to be the case until this great river which God Almighty in His wisdom put near the middle of the United States, was interfered with by man. God in heaven, in my judgment, is the greatest engineer of the whole universe, and yet the War Department had engineers who said we can improve on God's work, and the natural outlets God had placed there were closed up.

At this hour bear in mind the only time there ever was an overflow on the east bank of the Mississippi was in 1797, 1884, 1893, and 1913.

Since the outlets have been closed and the water confined to these particular channels by elevating, through levees, the west bank of the land on the Louisiana side, as placed there by God in Heaven, the west bank was from 7 to 14 feet lower than the land on the east side. The land on the east side, in other words, formed the foothills of the great river, but by man placing the levees closing the outlet the higher the levees became the more liable was the water to break over the east banks of the Mississippi River.

The gentleman from Tennessee [Mr. GARRETT] a few days ago described the conditions in four or five counties in the State of Tennessee which he so ably represents. The gentleman from Louisiana [Mr. KEMP] has some land in his district in the same condition, and the gentleman from Mississippi [Mr. COLLIER] has some of the lands in the same condition.

With this land subject to ruin and devastation because of the work of the engineers first to make the Mississippi River navigable, and then after they saw it could not improve navigation they come back and said we will call it flood control to protect private property. I have no fault to find with what they are doing except that if they damage property there should be compensation.

Mr. MANSFIELD. Will the gentleman yield?

Mr. QUIN. Certainly.

Mr. MANSFIELD. The gentleman stated that the land on the east side was 7 to 14 feet higher than that on the west side. Now, before the days of the engineer on that river, before the levees were completed, did the early-time floods overflow the land on the east side?

Mr. QUIN. There never was one recorded by man in the books except in 1797 and 1844. Yet since the levees have been constructed and the channel of the river made smaller by the levees being increased and increased on the west bank of that stream, the water, which must find some outlet, comes gushing across on the east side, and these magnificent farms that I have told you about have been destroyed, and these magnificent mansions are gone, and the tenant houses have been cleared away for brambles and briers. Understand, those people who owned that land have been to the Federal Government asking justice. First, the Congress of the United States failed to compensate them for their land taken for the public good. Then they went to the courts. It was decided by the Supreme Court of the United States that there was no way in the law by which they could be compensated and that they must get their remedy through the Congress of the United States. The Mississippi River Commission reported and recommended that one of three things be done—that the United States Government should either levee those properties like it was doing the others, that it should compensate the people in damages for what damages had been done, or should buy the property outright and use it for a forestry reservation, because they must have the timber and the willows to do revetment work all along that stream.

Mr. GARRETT of Tennessee. Mr. Chairman, will the gentleman yield?

Mr. QUIN. Yes.

Mr. GARRETT of Tennessee. In connection with the suggestion or the question asked by the gentleman from Texas [Mr. MANSFIELD] as to whether prior to this engineering work on the other side there had been overflows, speaking for the Tennessee part, which is in exactly the same situation as the gentleman's section in Mississippi, I do not know whether there were overflows or not; but this is true, that the construction of the levees on the other side unquestionably makes the overflow much heavier than it ever was, and it holds the water there for a much longer time, and, unquestionably, conceded by the commission engineers and all who have studied it, it adds tremendously to the damage that is wrought.

Mr. MANSFIELD. Then a damage instead of a benefit has been inflicted upon those people?

Mr. GARRETT of Tennessee. Oh, yes.

Mr. SNELL. And I suppose that part of those levees at least were built at the request of the people down there in order to protect them from the river? Is that right or wrong?

Mr. QUIN. Oh, yes; the people on the Louisiana side of the river participated in it.

Mr. SNELL. Was it not done at their request? Did they not want those levees?

Mr. QUIN. Yes. The Louisiana side did, but not my people on the Mississippi side of the river in that section.

Mr. GARRETT of Tennessee. But if the gentleman from Mississippi will permit, the gentleman from New York [Mr. SNELL] does not get the gravamen of this matter. We on the east bank are complaining because of the damage which has been wrought us by the levees on the other side with which we have nothing to do.

Mr. SNELL. Oh, that is a local matter instead of a matter for the whole country, because they built levees down there?

Mr. GARRETT of Tennessee. The Federal Government has contributed to those levees which have damaged Tennessee and the section of Mississippi which the gentleman represents.

Mr. QUIN. The whole trouble at this time is that the levees have been built up to such a point that it is impossible for the waters to go off in their natural course and the way that God intended, and that water must come over to the east bank. And as proof that there has been damage, I have told you of these magnificent farms with mansions that cost from $150,000 to $200,000 to build all gone to rack and ruin. The people are in a helpless condition. The ground was very fertile, and a man could grow from a bale to a bale and a half of cotton to the acre. The ground was rich as the land in the Valley of the Nile, and to-day it is almost worthless. Up to this good hour not one dime of compensation has ever been given to a single one of those landowners. That property was so valuable that it was picked out by the pioneers on which to settle. The people from Ireland, the people from England and Scotland, people who had means, came back there before the State of Mississippi was even a territory, when it belonged to the Government of Spain, and picked out this fertile land above the danger of overflows, and established these immense places there for habitation. Steamboats then came down that river—great palaces as big almost as run on the Atlantic Ocean, and to-day there is nothing but a few tugboats and small barges, with the exception perhaps of the *Tennessee Belle*.

Mr. SNELL. And the gentleman contends that the people who own that wonderfully fertile valley and those beautiful homes are not able to pay anything as a contribution toward levees?

Mr. QUIN. They can not pay taxes. In the first place the land can not be leveed. The terrain is such that a levee was never needed on the east bank of that river. Since they have built them over there on the other side, the Louisiana side, and raised the level of the water, the water has come over and ruined those plantations in Mississippi in my district. It would be worth more than the land itself to construct and maintain the levees, and so the Mississippi River Commission in its wisdom recommended the three things that I have stated, and Congress has failed to do anything. We now have the opportunity to do justice and equity to those people. No one could expect the property of an individual citizen of the country or of a corporation to be confiscated for the public good without some compensation given to the owner.

But to this hour there has not been the case presented when Congress has not declined to do it, and the Supreme Court of

the United States, I presume in a just decision, decided that it was not a matter for the courts. That is the decision in the Jackson case, and the gentleman from the Committee on Rules, the gentleman from New York [Mr. SNELL], may do well to read that case and see that it is impossible for these people to get justice in the courts. The only place where they can get justice is in this forum, just where I am pleading now.

I think we had a bill in 1914 or 1916, reported from the Committee on Claims, to settle this matter, but Congress did not see fit to do it. We had precedents where that had been done in Illinois and Wisconsin and other States of the Union.

Mr. MANLOVE. Will the gentleman yield right there for a question?

Mr. QUIN. Yes.

Mr. MANLOVE. Is there any legislation now pending in Congress looking to that end?

Mr. QUIN. We are trying to get it into this flood control bill. The bill which has been reported out by the committee, in my judgment, does not go far enough to protect these people that I am describing. I have a rough draft of an amendment to insert in that bill. If Congress will pass it, it will do justice to those people.

Mr. MANLOVE. Will that cover the particular claims of the farmers who have lost by reason of the inundation of their farms, or will it be by a blanket measure?

Mr. QUIN. That will depend on what Congress may fix for the handling of the flood problem. Those people that I have described have been left out of all legislation, and I believe they are left out of the present proposed legislation. But I tell you I am going to stand here and fight for the rights of those people. Do you think we ought to sit down and let this vast program go through and this wrong continued to those helpless people who have seen their plantations go to wreck? They can not obtain credit from a safe and sound bank, and I doubt if a safe and sound bank would loan money on that proposition.

Mr. GARRETT of Tennessee. Mr. Chairman, will the gentleman yield for a moment?

Mr. QUIN. Certainly.

Mr. GARRETT of Tennessee. It is important that gentlemen should understand the real position in this matter. I refer particularly to the gentleman from New York [Mr. SNELL] and the gentleman from Missouri [Mr. MANLOVE]. Heretofore the Federal Government has steadfastly refused through all of its branches—executive and legislative—to assume any part of the responsibility for damages.

Of course, our equities have been there all along, the equities of those who have been situated like the entire State of Tennessee and the section referred to by the gentlman from Mississippi [Mr. QUIN]; and the courts have rejected all efforts by the landowners to press claims against the sovereignty on the other side of the stream. The sovereignty could not be sued. We have had no remedy and nowhere to go to enforce our rights.

Mr. SNELL. May I interrupt the gentleman there?

Mr. QUIN. Yes.

Mr. MANLOVE. In other words, I am sure the Latin phrase, "in statu quo," as often used in present-day parlance, is true of the people down there.

Mr. SNELL. Suppose that neither the Federal Government nor anybody else had ever put any levees or revetments down there. Would your people still insist on damages?

Mr. GARRETT of Tennessee. No. It is extremely doubtful, however, if there would have been very much overflow, because on the Missouri and Arkansas and Louisiana side the level is lower than on the east bank, and there is such a wide spread of water that the water went 75 miles out into Missouri and Arkansas.

Mr. MANLOVE. Suppose the water had gone 75 miles to the west. Possibly it would have been impracticable to lower the levees on the west side and let the water take its natural course. Now, what is the probable extent of territory of these fine farms which have been ruined on the east side of the river?

Mr. GARRETT of Tennessee. In my territory at its widest point it is about 10 miles wide. It begins at 9 or 10 miles and slopes down to nothing. Something like 500,000 acres of land have been damaged. And another factor of damage that I would call attention to, although I do not want to interrupt the gentleman from Mississippi unduly—but another factor of damage that enters into it, at least in my section, is the fact that purely for the purpose of providing levees on the west bank of the river revetment work has been put in which has so changed the current of the Mississippi River naturally that it has been thrown over and is cutting away the east bank. I have put into the RECORD a letter from a woman for whom I can vouch, in which she states that she had a valuable farm of several hundred acres and now she has only 300 acres left, and sand has been spread over that. It is ruined.

Mr. MANLOVE. Another thing presents itself to my mind. You hear people talk about outlets and pockets designed to drain the flooded area. What would be the condition of this fertile land in Tennessee and Mississippi if by some arrangement the water could be diverted and your land on the east bank left dry? Would it still be good land, or has a great deal of it been washed out?

Mr. QUIN. A great deal of it has been ruined, washed out, sand deposits ruining much of it, because the levees constructed on the west bank of the Mississippi River.

There were great bars of sand, several hundred feet or a thousand feet wide and as tall as a barrel in some places. In Claiborne County, Miss., there was once a populous town called Grand Gulf. By this revetment work on the other side of the river they have made it cave in until where that place stood is now across the river on the Louisiana side. Now, we have another place, Rodney, in Jefferson County, where the process made the land extend out 6 miles into the river. So you can see what has been accomplished by man's work. It has inevitably acted in such a way as not only to destroy the land on the east bank, but in many instances to damage it in many places and then to make it so that a crop is not certain, because if there comes any high water at all it is bound, through this levee system, to come over and ruin the crop.

Mr. MANLOVE. We can well understand that periodically your crops are drowned out, but what I am wondering is how many acres of land in your State in these particular places you are telling us about are completely ruined or partially so.

Mr. QUIN. I would not say completely ruined, but there are about 250,000 acres inundated by this levee system and I would say that a great percentage of that has been totally destroyed.

Mr. SNELL. But that would only be a small percentage by reason of the deposit of 3 or 4 feet of sand.

Mr. QUIN. Well, there is a good deal of that, and the overflows because of the levees make practically all of it worthless. There can not be any certainty of a crop any year. Before levees on the west bank of the Mississippi River it was practically sure of a good crop every year. All of this land was not in cultivation. You understand that a big lot of this is woodland. All of this land was not producing fine crops, as I have said.

Mr. MANLOVE. Was the timber drowned out?

Mr. QUIN. In many instances the timber died, but there is a type of timber that grows in this soil. In this particular soil willows grow up, and that was one reason why the Mississippi River Commission thought it would be advisable for the Government to buy that soil. I think they estimated they could acquire all of the territory affected in these four counties in the State of Mississippi mentioned by me for about $2,300,000. However, that was many years ago.

The CHAIRMAN. The time of the gentleman from Mississippi has expired.

Mr. BUCHANAN. Mr. Chairman, I yield the gentleman 20 additional minutes.

Mr. GARRETT of Tennessee. I want to give the gentleman one illustration and then I will not again interrupt the gentleman. I did not mean to be understood as saying there were 500,000 acres of land ruined in my section, but what I meant was that there was at least that much subject to inundation. Now, just to illustrate what the levee will do.

I was at the little city of Hickman, Ky., one day in April, very shortly after I had reached home. You will remember that the flood with us began early in the spring. Hickman, I suppose, is a town of about 3,000 people, and the residence portion of it is on a pretty high bluff, but the business part of the town was under water from 10 to 36 inches deep. On the day following my visit there what is known as the Dorena Levee across in Missouri broke and within 20 hours all the water was out of Hickman.

Mr. DEMPSEY. Will the gentleman from Mississippi permit me to ask a question of the gentleman from Tennessee?

Mr. QUIN. Certainly.

Mr. DEMPSEY. I can not understand what the gentleman has said about damage by revetment work. Revetment work is done not to change the channel or not to change the banks but to stabilize the banks as they are, and it would seem to me from seeing it done there, as I did last fall, that the stream would simply be stabilized and made to flow in the channel as it is. How, then, could you get damage on the opposite side from revetment work when that simply makes your channel remain just as it was?

Mr. GARRETT of Tennessee. The difficulty is that that theory does not work out, or, at least, it did not work out opposite to my district, because, as I understand it, there is no question in the minds of the engineers but that the revetment work put in at a certain point there, at Booths Point, on the west side of the river, did cause a diversion of the current. It threw it over and it began to cut away the east bank of the river, while it was put there primarily for the protection of the levee that was on the west bank.

Mr. DEMPSEY. That was back of the bank?

Mr. GARRETT of Tennessee. Yes. It was put there to keep the bank from being cut away.

Mr. DEMPSEY. So it would go back to the levee?

Mr. GARRETT of Tennessee. Yes. That was on the west bank, and it diverted the current so that it threw it over on the east bank and took away my people's land.

Mr. WHITTINGTON. Will the gentleman from Mississippi permit me to ask a question of the gentleman from Tennessee?

Mr. QUIN. Yes.

Mr. WHITTINGTON. I was just wondering whether the gentleman could put in the RECORD the names of any engineers who support the statement that levee work on the Missouri side caused a caving in on the Tennessee side?

Mr. GARRETT of Tennessee. I did put a statement in the RECORD.

Mr. WHITTINGTON. I remember the gentleman's statement and his statement before the Committee on Flood Control, but I do not recall the names of any engineers, certainly no Government engineers, who maintain that the construction of that revetment work caused a cave-in on the opposite side.

Mr. QUIN. There is this about it: We know that something has caused it. We know that this river did not hurt us like God in heaven put it there. We know that on the east side, on the Mississippi side, much of the space was 7 feet higher and much of it 14 feet higher than on the Louisiana side before the levees were built; after the levees were constructed on the Louisiana side and after the outlets were closed so that the water could not go out of the Mississippi River, and when it had to be confined in this channel which the engineers made by constructing levees, the waters came over to the Mississippi side—the foothills—and ruined all this farm land. There is where the damage has come to the people I am representing and for whom I am pleading here. They have been to every place seeking redress and now the last resort is before this Congress when we are passing on the general flood-control proposition, and it appears to me that the people of the United States, whom you gentlemen represent, would not want these few individuals to be sacrificed even for the public good.

It appears to me these people have been long-suffering. They have borne the brunt of the levee system. These people have stood there and lost their crops, they have lost their properties, and now, when the Government is recognizing, as I believe we are doing from one end of this Republic to the other, the fact that we must assume control of the Mississippi River, these people, the riparian landowners, who have been damaged without their consent and without any fault on their part and against their will, ought to be compensated in some way for the wrongs that have been done them and must continue to go on unless there is a change in the river system; and, of course, under this flood control bill levees are going to be maintained.

I do not know whether they are going to provide the necessary outlets or not, but even if they provide the necessary outlets below and clear down to the Gulf of Mexico, we will not have any redress because the levees are already there and the water seeking its level, when it can not go out on the Louisiana side, must come over on the east side as it has been doing in the past.

Is it possible that the United States Congress would pass this bill without protecting these riparian landowners? In this age when everybody seems to be out grabbing after wealth, it looks to me like we should occasionally look at justice. The American people, a great and honest people, want justice done to all of its citizenry.

These citizens along the east bank of this river have suffered, they have endured, and now they come to their accredited representatives in Congress and ask that justice be given to them.

Mr. DEMPSEY. Will the gentleman yield?

Mr. QUIN (continuing). And you, my friends, will help us to get this justice that our people are asking.

Mr. DEMPSEY. I am asking this purely for information.

Mr. QUIN. Certainly.

Mr. DEMPSEY. When the original bill was passed, providing for flood control, under which the Mississippi River Commission has operated from its inception, was there any provision in the law for compensation to those who might be injured by the construction of the levees?

Mr. QUIN. I think not. The Supreme Court of the United States has decided there is no remedy at law and the only place where justice can be done is through the Congress of the United States; and as one humble Representative of these people, my constituents and friends—and those of other districts—I come to you gentlemen and ask that you place it in this flood control bill and give these people the justice and the equity for which they have been pleading all these years.

Mr. SNELL. Will the gentleman yield?

Mr. QUIN. I yield to the gentleman from New York.

Mr. SNELL. Is not this last flood the only flood that has been very dangerous or destroyed very much property in the gentleman's district?

Mr. QUIN. Ever since they started the levee system, or ever since they had the levees high enough on the Louisiana side of the Mississippi River, it has been doing this damage that I have related.

Mr. SNELL. I understood from the people when I was down there that this was the first flood that had ever gone down through the Yazoo district.

Mr. QUIN. I am not talking about the Yazoo district. I am talking about the district between Vicksburg and Baton Rouge.

Mr. SNELL. Oh, farther down.

Mr. QUIN. Yes. You understand this was called by the Mississippi River Commission the Hourochitto-Natchez district and the other is the Brunswick and Yazoo district. I do not think they ever had any trouble up there. They make cotton all the time, but these people I am talking for, since the levees have been built, have been damaged continually, and I have tried to make it plain that these magnificent farms, productive, allowing their owners to live in opulence, have now brought them to an impoverished condition where they are hardly able to pay their taxes.

Mr. MANLOVE. Will the gentleman yield?

Mr. QUIN. Certainly.

Mr. MANLOVE. I will say to the gentleman that his argument has produced a profound impression upon me, and there is one thing I would really like to know and I think the Congress would like to know more than anything else. In view of other legislation, probably not of this tenor but of a somewhat similar tenor, I would like to ask the gentleman whether or not, if Congress attempts to settle the damages that have now been incurred, it may not become cumulative and these same landowners or those to whom they may sell, be back here repeatedly asking for a continuation of appropriations to take care of such damages in the future, so that eventually we would have to pay for this same land over and over again. If that condition can be taken care of, I will say to the gentleman, I am heartily in accord with his argument.

Mr. GARRETT of Tennessee. That will have to be taken care of.

Mr. QUIN. That will be taken care of. One way to do that would be through a receipt signed as an estoppel. But in my judgment, the Mississippi River Commission recommended a much better plan, and that is to buy the land straight out. The Government will always have to have it and they can use the willows there in making up their mattresses. The Government should buy it straight out and maintain it as a forest reservation. This is set out by the Mississippi River Commission in one of its reports and is also in the hearings.

In my judgment the Congress of the United States could do one of the three things that the Mississippi River Commission recommended, and justice could be done to all of these landholders and nobody suffer from subsequent and consequent acts. I yield.

Mr. EVANS of California. Has any report of the board of engineers or a commission or otherwise been made showing that by the construction of the levees on the west side the east side was inundated?

Mr. QUIN. Yes; the Mississippi River Commission say that in the report, and they say it practically in the indicative mood.

Mr. EVANS of California. What is the date of that report?

Mr. QUIN. Nineteen hundred and twelve.

Mr. EVANS of California. Has any protest ever been made by the people on the east side?

Mr. QUIN. They have been to Congress for redress, but the bill could not get through. The Supreme Court of the United States ruled that the Government could not be sued in a case of that kind. So the only chance is of the vote of you gentlemen in this Congress in the flood control bill to give them the compensation they are entitled to.

Mr. LEAVITT. Will the gentleman yield?

Mr. QUIN. I yield to the gentleman.

Mr. LEAVITT. Is the area which the gentleman speaks of timbered now?

Mr. QUIN. There is some cottonwood and willow timber on it. It is not the long-leaf yellow-pine timber.

Mr. LEAVITT. I am greatly interested in the proposal of the gentleman, but I am wondering if that land could be made into a timber area?

Mr. QUIN. Oh, yes. The commission says so. I hope the gentleman will read the report of the commission. It is in the flood-control hearings. The gentleman from Tennessee [Mr. GARRETT] has the statement there. This is in the section of the country where the Government could make use of it, and the Mississippi River Commission so stated. There were three things in view, and they recommended this as the best of the three—that the Government acquire title to it.

Mr. LEAVITT. It could be made valuable so as to be a good investment for the Government?

Mr. QUIN. Yes. Our Government, I presume, will continue to handle the Mississippi River project and handle it in a governmental manner, and they will need all the willow in the Government work, and they can raise it instead of having to go out and buy it at a high price from somebody else. They can get all they need on their own reservation.

Mr. MANLOVE. Will the gentleman yield again?

Mr. QUIN. I yield.

Mr. MANLOVE. Does the water overflow to the extent that it would prevent making it a game refuge?

Mr. QUIN. No. This is the hillside of the Mississippi River, and in this section in these four counties the hills come close to the bank of the river. You know, naturally, if the edge of the bank is 14 feet higher than it is on the other side, there is a hill on the higher side, and then back a few miles are the hills that would take care of all of the game in case of a flood or highwater; they would make their escape to the woods.

Mr. EVANS of California. Are there levees on the east side?

Mr. QUIN. The Mississippi River Commission reported that it would be impracticable, as much as the land is worth, to construct and maintain levees on the east side.

Mr. EVANS of California. Therefore they let it overflow?

Mr. QUIN. Yes; the people did try in two places to construct levees, but they say it was a losing game. You could not build a levee high enough to protect the land without practically confiscating the property.

The fellows above may not have levees, and the water would come in back behind these levees. In other words the flood control bill practically makes this the flood way of the Mississippi River; all the land and all the banks that I have described to you under the pending bill is practically the flood area, the channel of the Mississippi River as far as practical purposes are concerned, and it is without compensation to the owners of the flooded area.

Mr. EVANS of California. How many acres are involved?

Mr. QUIN. Two hundred and fifty thousand acres, and in Tennessee 487,000, and I do not know how many in the district of the gentleman from Louisiana [Mr. KEMP].

Mr. CARSS. Will the gentleman yield?

Mr. QUIN. I will.

Mr. CARSS. If the Government should purchase it, would it make a good game preserve?

Mr. QUIN. Yes; it could not have a better one in the United States. It is an ideal spot.

Gentlemen, of all the matters that have been before the Congress in my judgment there has never been one with more justice and equity on the side of the complainants than we have here on the side of these riparian landholders. There has not been an act of omission or commission on their part that brought the condition about. They are simply being immolated on the altar for the public good. These good people have undergone the hardships all these years. They now ask the Congress of the United States to come to their relief and give them justice. Gentlemen, in my judgment this bill should carry a provision like I have just stated here, or something equivalent, in order that the riparian landholders shall receive compensation for the damages, the wrongs and the injury they have suffered and will suffer in the future. [Applause.]

Mr. BUCHANAN. Mr. Chairman, I yield 20 minutes to the gentleman from New York [Mr. O'CONNELL].

Mr. O'CONNELL. Mr. Chairman and gentlemen of the House, on Monday, February 20, 1928, this House, following the example of its great Committee on Military Affairs, unanimously passed H. R. 5494, which has for its beneficent purpose the sending of the mothers and unmarried widows of the heroic dead of the World War, at Government expense, to the graves of their sons or their husbands in the cemeteries abroad.

I called attention at that time to the fact that those of us that had to do with the adoption of that legislation enjoyed a great privilege and honor, and could always look back in future years with satisfaction to participation in the completion of a meritorious and salutary accomplishment. The distinguished author of the bill, the gentleman from Pennsylvania [Mr. BUTLER], whose courtesy and kindness has endeared him to every Member of this House, has assured me that since the passage of this act, the newspapers throughout the country and the country at large, have, with practical unanimity, applauded our action. So the country is thrilled by the fact that we are permitting these splendid women, as guests of the Government, to kneel at the graves of their beloved dead in the hallowed fields of France and Belgium. Their hearts are bowed in grief and pain because of the irreparable loss sustained in the World War. If reason had prevailed in those hectic and historic days there would have been no war, and there would have been no casualties, no dead, and those splendid boys would, most of them, be here to-day, and this sad pilgrimage these women are compelled to take would be unnecessary. Surely the saying is true that war is hell. Let me read for you a vivid description of this awful conflict which recently appeared in the Brooklyn Daily Times of my home city, written by its great columnist, "A B M." I think it especially appropriate as I am discussing the subject of war, and I am sure will impress the Members of the House with this war. I quote:

A moving picture of the war, depicting the battles of 1916, has been shown in Paris.

The verdict of those who saw it is that it is too horrible to be publicly shown.

Descriptions of it shake the heart and mind of every civilized man and woman.

Berlin audiences that saw it left the theater grim, white-lipped, silent, stricken dumb with fright.

They had seen films from the official cameras of the War Departments of France and Germany; taken in the very midst of the battles by photographers who came out alive only by miracles.

This film should be shown.

Not just to students at military training colleges, not just to officers and soldiers, but to every citizen of every country in the civilized world, whether it plans war or not, whether it dreads war or not.

Forget the nationality of the soldiers who took part. Remember only that they were human beings, our fellowmen, flesh and bones and blood like ours.

Show nations this film.

Show them the ranks of attacking soldiers, advancing under cover of their barrage to the trenches uprooted and devastated by advance fire. Show the first rank fall, clutching its knees. Show the machine-gun fire raised to meet the next rank. More abdomen and chest wounds now. Show line after line falling upon the bodies of those who went first, until the attack becomes an insane stampede, an unbelievable nightmare.

Show the column of soldiers marching away from the front, guarded by sentinels with fixed bayonets; one of the daily batches of men gone insane with the sight of war.

Show the bombardment of Dead Man's Hill. The artillery plays against the sides of the hill where thousands of dead and wounded men lie. The exploding shells send up showers of mud and débris mixed with human bodies, arms, and legs.

Show the close-up of an infantryman racing directly for the camera; his face distorted till it loses all human semblance; he runs like a madman, tearing his uniform on the barbed-wire, ripping the flesh from his own hands and legs; the most horrible close-up ever recorded on the screen. He stops, claws at his throat, drops on his knees. He is still biting the filth and mud around him when smoke blurs out the picture.

These are not the ravings of a hysterical and sentimental pacifist. They are the facts, registered on celluloid; the cold truth seen by the eye of official cameras.

They tell what mankind forgets too easily; what the new generation of peace can not imagine, because it is too terrible to think of; what even the returned soldier must forget if he is to stay sane.

Every war is the same. Read The Dynasts, by Thomas Hardy, for a picture of the Napoleonic battles. Read Chickamauga, by Ambrose Bierce, for a picture of our own Civil War. Read The Red Laugh, by Andreyev, for another picture of the World War.

This film should be shown. It is not lurid exaggeration. It is not overheated imagination. Would that it were!

Show it to every nation alike, little and big, powerful and insignificant, peaceful or pugnacious. Show it to the savage just making the acquaintance of another civilization; show it to old and cultured Europe; show it to young and vigorous America.

Show it to diplomats and ambassadors sitting at the tables where treaties are drawn up. Show it to rulers—kings, presidents, dictators. Show it to scientists and inventors preparing in laboratory and research stations the machines and gases of another war.

Show it to business men, big and little; to financiers, dreaming of commercial dominion, blind sometimes to the fearful price of conflict in terms of gold. Show it to labor, to the men and women of every country who work.

Show it to the mothers and fathers of the world. That infantryman is their kindergarten child, their young son. Show it to every occupation, trade, profession, and business between the Arctic Ocean and the Antarctic.

Say to them, "This is war. These are no studio battle fields, no painted wounds, no bloodless conflicts reeled off to the bang of a movie orchestra's piano. These are real deaths, real slaughter, real maimings."

Let audiences of every nation come out grim, silent, white lipped.

Say to them, "This is war among the nations of humanity. Shall we have more of it?"

Mr. SNELL. Mr. Chairman, I yield 10 minutes to the gentleman from Pennsylvania [Mr. McFADDEN].

Mr. McFADDEN. Mr. Chairman, I want to call the attention of the House to a situation that has developed in finance in this country during the past few months which has attracted the attention of the students of finance and banking to an extent that it has brought forth, during the last few months, speeches by such eminent bankers as Charles E. Mitchell, president of the National City Bank of New York, and Mr. John McHugh, president of the Chase National Bank of New York City, two of the largest and most important banks in the country. Members will recall that last year, about a year ago now, we passed the McFadden Act, which amended in important particulars the Federal reserve act and the national banking act, bringing the machinery up to date, so that the banking business of this country could proceed in an orderly and proper manner, since which time the assets of the national banking system have increased $3,000,000,000, and the law is working in a splendid manner. I do not care to comment further on this, but desire to quote Mr. Mitchell as follows:

Charles E. Mitchell, president of the National City Bank, writing in the current number of the American Bankers' Association Journal, calls attention to the increasing cost of bank operations and the competition for business whereby banks are finding themselves between the upper and nether millstones of high interest rates paid on deposits and diminishing yields on investments. He says the subject is pressing because the general trend of money rates is likely to be downward for some time to come, which must have a tendency to still further reduce the return on high-grade securities. It is a trite remark that "banks live mainly upon the margin between interest received and interest paid," but present-day practices seem to ignore this principle.

Against gross earnings of all member banks in the fiscal year ended June 30 last of $2,068,870,000, expenses aggregating $1,475,200,000, or about 70 per cent. After net losses and dividends there was only a margin of $147,351,000 left. The largest item in the banks' expense account is interest on deposits, which last year amounted to $687,021,000, or 46.5 per cent.

Obviously there are two alternatives before the banks. Either they must reduce operating expenses, including salaries, or cut interest on deposits. Competition for business and the numerous services which banks now feel called upon to extend customers have brought them to their present predicament. To curtail these services now, or to cut salaries, are extreme measures not justified in the circumstances. There are sound economic reasons why interest rates on deposits should be lowered.

Mr. Mitchell traces the influences since the war, through increase in our gold holdings and accumulation of wealth to bring about lower money rates. He points out that current interest rates on deposits should be based on current bank earnings, not on past profits. Many banks hold bonds which they acquired when yields were higher than are ruling now. They are enjoying high returns on original costs or perhaps realizing profits by sale. Clearly these earnings are not on a permanent basis. Yield on a selected list of high-grade bonds fell since the close of 1925 from 4.64 per cent to 4.11 per cent, and a similar list of State and municipal bonds declined from 4.20 per cent to 3.89 per cent. How can banks afford to pay as high as 4 per cent on deposits, as some country institutions (not savings banks) have been doing? It means that such banks must venture into investments offering higher returns, but which are not consistent with safety. Savings banks, building and loan associations, and banks of discount have separate and distinct functions to perform and are governed by separate laws. They should not encroach upon each other's field.

Fortunately the situation is being realized by the so-called country banks. Last fall certain up-State banks passed a resolution that after January 1, last, no more than 3½ per cent should be paid on savings accounts. Even that rate might well be cut. New York Clearing House banks pay only 2½ per cent on 30-day deposits and saw no reason to make a change when the rediscount rate was recently advanced to 4 per cent. In a period of established easy money, depositors can not expect to be a privileged class.

I now quote Mr. John McHugh. Mr. McHugh, among other things in his speech, said this:

But many country bankers feel compelled to buy investments primarily with reference to yield because they are paying high interest on their deposits. They hesitate to offer less interest to depositors, fearing that the deposits will then go to competitors. They feel themselves caught between an upper and a nether millstone. If they pay high interest on deposits, they can not buy Government securities, acceptances, outside commercial paper, and other highly liquid obligations with their depositors' money. If, on the other hand, they pay low interest on deposits they fear they will lose business to competitors.

This is the situation which comes about because of the great plethora of money in this country and the lack of proper investments in which that money can be placed. Quoting further from his speech:

If, in the process of reduction to lower interest rates on deposits, certain time deposits are withdrawn and the proceeds used in the purchase of securities and real-estate mortgages by the depositor, this is precisely what ought to happen. The country banker who can market part of his holdings of mortgages, and safe, high yield securities with narrow market, to his own depositors has improved his position and the community's position.

To my mind, Mr. McHugh and Mr. Mitchell have touched one of the vital things in our present banking situation. This accumulation of idle savings of the people in the banks of this country in the form of demand deposits at interest, which deposits are in turn invested by the banks in long-time loans is one of our important problems for banking to solve to-day. We have some 30,000 banks in the United States that are equipped to carry on a banking business. Because of the fact that we have been turning our national resources of late into cash to such an extent and because of the changed financial conditions throughout the world, it has brought a vast amount of idle money into these banks. I want now to quote an item from Moody's Investors Service, written by a careful financial analyst, who have given very careful thought and attention also to this very subject. Quoting, in part, speaking on this same subject, he says:

But to allow 4 per cent interest on depositored funds which must be employed in bond investment is unsatisfactory, because of current prices of strictly high-grade bonds do not yield enough over 4 per cent to show many banks a satisfactory margin of profit.

Mr. CELLER. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. CELLER. Is the gentleman aware that in New York State attempts are being made to allow savings banks wider range in their investments so that they in turn may grant a greater yield or continue to pay what they do now to their depositors?

Mr. McFADDEN. Yes.

Mr. CELLER. And that is along the lines of the gentleman's thought?

Mr. McFADDEN. Yes. Quoting further from a speech of Mr. Mitchell along this same line, he calls attention to the increasing cost of bank operations and the competition for business, whereby banks are finding themselves between the upper and the nether millstones of high interest rates paid on deposits and the diminishing yields on investments. He says the subject is pressing because the general trend of money rates is likely to be downward for some time to come, which must have a tendency to still further reduce the return on high-grade securities.

That leads me to make the remark that in the economic conditions which are confronting not only the business interests of the country but the bankers, a word of warning should be issued the depositors and to the country banks throughout the country to stop, look, and listen in connection with the rates of interest they are demanding and paying on these idle funds and to pay attention to the kind of investments that the funds are invested in. We all know here that there are now pending in this House and in the Senate committee bills asking Congress to investigate the subject of brokers' loans. My friend from Iowa [Mr. DICKINSON] some time ago put in such a bill. To-day in the Committee on Banking and Currency of the House a hearing on the La Follette bill has been held on this subject of brokers' loans, the attention of Congress being directed to the large amounts of investments by banks in that class of loans in the city of New York, asking that the matter be curbed. Some people are suggesting that the management of the Federal reserve system should curtail brokers' loans.

Those loans are made possible at this time, in my judgment, after the study I have made, because of the coming into New York from the country of this vast amount of idle money. It is an important subject, and I wanted to say just a few words to the House and to the country along those lines.

I am sure the American people need no one to tell them that since the World War we have changed from a debtor Nation to a creditor Nation. But very few realize that our prosperity and wealth is bringing many changes in our banking and financial practices.

Those who are responsible for the operation of our Federal reserve banks, large commercial banks, and our finance companies have a stewardship, the responsibility of which they fully realize, but which the American people do not fully appreciate. Nor do the American people realize the work which is being done to-day and which will show its benefits in the to-morrows.

When I was in England last year it afforded me considerable pride when meeting their bankers to compare them in my own mind's eye with those at home. I always knew we could be proud of our financiers, but many Americans have not this opportunity of comparison.

Of course, the very existence and operation of our Federal reserve banks, together with the praise that has come from the bankers of England, should be evidence to all of us that our bankers are cognizant of our new wealth and will guide and conserve this wealth for the American people.

The banks of our country are confronted with a new problem. Their depositors are asking for advice and information about investment trusts and their securities and for information as to what to do.

Now, coupled with this great influx of money comes along the proposition of the development of new methods of investing this vast amount of idle money, and since the passage of the banking act a year ago there has developed the investment trust in this country. It is an important development, and I desire to call the attention of the House and of the country to this development, and it seems to me from the study I have made of it that there is an organization which, if properly handled, might be very beneficial in helping our investors to solve the question of how best to invest their idle funds at this time, with the great plethora of money and lowering of returns on investments.

The investment trust is growing so fast in the United States that almost every day sees a new one created. Over 150 different trusts with resources of over $800,000,000 have suddenly been created. This is one of the startling effects of our becoming a creditor nation. In other words, we now have more money than we have securities, and the buying side of the security business, for the first time, is being organized through the medium of these investment trusts.

When in London, economists, bankers, and investment trust managers prophesied to me, that within the next 10 years the United States would have at least 500 different investment trusts, with resources of over $10,000,000,000.

Now, there can be no question, but that a soundly managed investment trust is of great benefit to the investor of moderate means, and of still greater benefit to the capital market in stabilizing security prices.

Heretofore we have not had these investment trusts in this country. The Congress a few years ago did pass the so-called Edge bill, which really was an investment trust bill, but which provided simply for the accumulation of foreign investment securities to be put into acceptable form for investment of American capital, but that did not permit the investment in investment securities originating in the United States.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

Mr. McFADDEN. May I have five minutes more?

Mr. DICKINSON of Iowa. I yield to the gentleman five minutes more.

The CHAIRMAN. The gentleman from Pennsylvania is recognized for five minutes more.

Mr. McFADDEN. When we created the system of Federal land banks we created under national law an investment trust for farm mortgages—and thus given the farmers a savings in interest annually of $180,000,000.

My chief concern about our investment trusts is their future growth. Will our trusts protect the savings of our American investors, or will millions be lost through unsound management? This same thought was expressed in a recent editorial in the London Economist which said, speaking about American trusts—

> They may be compelled to proceed by the method of trial and error along the path trodden by Englishmen 40 or 50 years ago * * * and that many of these American trusts would scarcely be recognized as legitimate investment trusts in Great Britain, nor would their methods receive universal approbation.

(See Exhibit A.)

The investment trust has been defined as a convenient form of organization, by means of which the funds of many investors are brought together for the sole purpose of investment, so as to give the investor of moderate means the same advantages that the large capitalist receives. Thus, the small investor is able to obtain the two important things usually lacking in the investment of small funds. First, the detailed attention of men who make investment their business; second, the wide and adequate distribution of investment risks. (See Exhibit B.)

For more than 60 years the investment trust has been a favorite medium of investment in England and Scotland. Their soundly managed investment trusts have stood the test of wars and panics. They have been through every possible upheaval and diversity in the securities market. They are popular in England and Scotland to-day. (See Exhibit C.)

Mr. Edgar Higgins, of New York City, authority on investment trusts, who has studied them in Great Britain, and who has had considerable experience in their management, tells me that these years of operation in England and Scotland have taught some very valuable lessons:

> First. That the management must be unbiased in the selection of investments, for any affiliation which tends to warp free judgment is harmful.
>
> Second. That the management can not give too much care to diversification. This is clearly shown by their usual restriction to not less than 20 different investments which, in actual practice, is always exceeded, for now the average holdings of a trust are well over 500 different securities.
>
> Third. That the management should make complete operation and earning statements and lists of holdings to the public periodically.
>
> Fourth. The necessity of not paying out all of their earnings in dividends, but withholding and reinvesting a large part, thereby building up a large protective surplus.

These 60 years have also developed an orthodox form of capitalization which most of the English trusts resemble to-day.

A brief description of such a typical trust may be helpful. These British trusts do not resemble our great American trust companies. They are totally different. Their sole business is the investing and reinvesting of their capital in a widely diversified group of securities. They do not conduct a general banking business, nor distribute securities. They are not holding companies nor finance companies.

Suppose we examine a typical Scottish or English trust with a capitalization of £2,000,000 ($10,000,000), consisting of—

Bonds (debentures) 4 per cent	$5,000,000
Preferred stock 5 per cent (preference)	2,500,000
Common stock (ordinary)	2,500,000
Total capitalization	10,000,000
Accumulated surplus (25 per cent)	2,500,000
Total resources	12,500,000

Now, assume that the gross income of this trust was 8½ per cent, or $1,062,500. After deducting the expenses of $50,000 (one-half of 1 per cent of the capital), and taxes of $148,000, there is left a net of $864,500. This sum covers the bond interest charges of the 4 per cent bonds four times. The balance is more than five times the preferred dividends. And finally, the common stock has available for dividends, $21.50 for each $100 of common.

The various classes of securities issued by these investment trust suits different types of investors. For the widow who must seek safety of principal, the debenture bonds are the best investment. For the business man of limited means, the preferred stock is suitable. For the wealthy man the common stock is desirable.

What sort of investments do these trusts own can best be answered by giving actual figures taken from a typical British trust's annual report. The total number of different investments in this one was 873.

(1) The distribution among different classes of investments was—

	Per cent
Idustrial	47.67
American and foreign railways	19.01
Banks and financial	11.74
Government securities and municipal loans	10.15
Miscellaneous	11.43
Total	100.00

(2) The classification, according to localities, was—

	Per cent
Great Britain	38.13
Dominions	12.73
South America	27.42
United States	9.05
Continental Europe	4.87
Asia and Africa	4.36
Mexico	3.44
Total	100.00

(3) The types of the securities were—

	Per cent
Bonds	40.29
Preferred stocks	17.42
Common stocks	42.29
Total	100.00

What have been their earnings on their investments? Again let us take a trust's actual figures which are based upon cost.

	From interest and dividends	Market profits realized
	Per cent	*Per cent*
1917	7.55	0.63
1918	7.20	1.33
1919	8.15	1.09
1920	7.78	1.33
1921	7.60	.10
1922	7.75	.18
1923	7.11	.50
1924	7.29	.06
1925	7.67	3.11
Average	7.52	1.15

It will be seen that the yearly average earnings of the nine years was 8.67 per cent.

In seeking information about the experience of British trusts, Mr. Robert L. Smitley, of New York City, authority on business and economic books, also adviser to Harvard Business School and many American and foreign universities, informs me that there is no specific English book about investment trusts, but that the best article written by an Englishman, dealing with the subject is a chapter in Powell's Evolution of the Money Market. (See Exhibit D.)

Mr. Smitley has obtained for me articles from the London Economist which tell of the British trials and their experiences from 1882 up to 1925. (See Exhibit E.)

Because the foregoing records are not available to the general public, there is much confusion among the various States in respect to their proposed "blue sky laws" or regulations. The State of New York attorney general's recent and hastily compiled report is an example of this. It has been revised three times. (See Exhibit F.)

The States of Utah and California require that an investment trust make public its list of holdings. (See Exhibits G and H.)

That much information is needed by commercial and investment bankers and the lawmakers regarding investment trusts is shown by Exhibits I and J.

When half of the investments in our American trusts are in foreign securities, it may be necessary to place investment trusts under the regulation and control of the Federal Reserve Board by amending the Federal reserve act.

THE FUTURE OF INVESTMENT TRUSTS

Since the World War the wealth of the United States has increased enormously. Our people year by year are growing richer, and have more and more funds available for investment. Within recent years the supply of investment funds has become greater than the supply of good investments. Because of this abundant investment money the coupon rate on new investment issues has been steadily reduced—from 8 per cent during the war to less than 6 per cent at the present time, with the future outlook for 5 or even 4 per cent.

Mr. O'CONNOR of Louisiana. Is not that a surprising statement, in view of the unemployment of labor and the depression of the farming interests at this time?

Mr. McFADDEN. I do not think it is as serious a question of unemployment as the gentleman indicates, and I think agriculture is in a better condition now than it was last year, although I know there is suffering in some places.

Mr. BLANTON. Mr. Chairman, will the gentleman yield right there?

Mr. McFADDEN. Yes.

Mr. BLANTON. With regard to there being "suffering in some places," does the gentleman believe in the old scriptural injunction, "Cast thy bread upon the waters and it shall return to thee manyfold after many days"? The gentleman from Pennsylvania and myself were strong proponents for women's suffrage, and some years now have passed and the gentleman from Pennsylvania has now one lady opponent and I have two, so that we have bread coming back to us. [Laughter.]

Mr. McFADDEN. Apparently; yes.

Mr. MANLOVE. Mr. Chairman, will the gentleman yield?

Mr. McFADDEN. Yes.

Mr. MANLOVE. I heard a very distinguished gentleman from Boston make the statement last night that there was eight times as much money in the savings banks of this country at the present time as there was 10 years ago, and I heard another gentleman make the statement that there were six times as many children from the homes of laborers in the higher institutions of learning as there have been in any other period in the history of the world. If that is true, I think to a certain extent that would bear out the gentleman's statement that there was a period of prosperity.

Mr. O'CONNOR of Louisiana. Mr. Chairman, will the gentleman permit another observation?

Mr. McFADDEN. I have only a few moments more. I do not want to take up the time of the House.

It is an economic law that investment capital will always flow where it will receive the largest return. Just as the superabundant capital of Great Britain in 1885–1895 sought remunerative foreign investments, so the superabundant capital of America is now seeking high-yield investments in foreign countries.

And just as the investment trust enabled British investors to obtain increased returns with greater safety, so our trusts should enable American investors to get higher yield, wider diversity, and greater safety in both domestic and foreign securities.

The rapid establishment of investment trusts in this country during the past three years gives evidence that this type of institution will continue to grow in number and in resources. Of course, some of these trusts will be more successful than others, depending upon the ability, integrity, and foresight of their management. That, after all, is the basic test of success of any financial institution.

There is no department of investment which deserves greater attention from the American public than the investment trusts. We have loaned upward of $12,000,000,000 in foreign countries. The prospect for many years to come is for additional foreign loans. Hence, the American public will of necessity become an increasingly large holder of foreign investments through the medium of investment trust.

A bulletin of the Federal Reserve Board in 1920 said:

> The investment trust enjoys many advantages not usually available to the individual investor. A company formed for the purpose of investment is in a position to investigate the financial condition of undertakings in which funds may profitably be invested. The officers of such a company develop the habit of forming dependable judgments of economic conditions in foreign countries and the conditions of the investment market.

In view of this situation, the near future must inevitably witness the creation of more and more investment trusts in the United States.

Great Britain in its 60 years of investment trust management, has developed many worthy traditions by which America, if wise, should benefit.

Without denying to the British any of the praise they so well deserve we can reasonably expect that our wisely managed investment trusts will produce a record as superior to the British trusts as our industrial and banking system excels theirs. I desire to now call your attention to a statement by Ellis J. Powell on the evolution of the money market, a most important historical and analytical study, Exhibit D, and several other exhibits on this important subject, which I have referred to.

EXHIBIT A

[From the London Economist, November 5, 1927]

Investment trusts in America: Among the by-products of America's attainment of the status of a great creditor nation has been her virtually new discovery of the British investment trust. To those whose memories of conditions in Great Britain go back even a moderate number of years, there is an element of intense personal interest in the spectacle of a virile and wealthy people, who received their financial schooling as inhabitants of the most influential debtor nation in the world's history, confronted with dramatic suddenness with the responsibilities and perplexities inseparable from their new position, and compelled to proceed by the method of trial and error along the path trodden by Englishmen 40 or 50 years ago. American financial knowledge and psychology, American money market machinery, and American law itself, have all been built up in response to the necessities of the "debtor régime," when the Nation's prime task was the finding, by some means or other, of sufficient new capital to insure the continuous exploitation of the resources nature had so lavishly provided. To-day the position is reversed. New money is constantly seeking fresh channels of investment, and in the process of somewhat hastily extemporizing the necessary technique, that peculiarly British institution, the investment trust, has come in for a large share of attention. According

to Mr. Edgar Higgins, an American observer who has done much valuable pioneer work in this respect, there are to-day just over 100 investment trusts in the United States, with resources of approximately $500,000,000, some 95 of which have been formed during the last three years. Many of these companies, however, would scarcely be recognized as legitimate investment trusts in Great Britain, nor would their methods receive universal approbation. Rather, less than half the total companies are, in fact, investment trusts properly so called—corporations which have issued debentures, preferred and common stocks to the public, and invested the proceeds in a large number of securities covering many sections of the American field. With them are identified a number of well known and highly reputable banking houses. Of the remainder, the so-called bankers' share organizations are in a very different category.

They generally proceed by way of purchasing as few as 10 well-known stocks or bonds (frequently all arising out of a single industry) and depositing them with a corporate trustee, which proceeds to issue against this collateral either trustee shares, bankers' shares, bond shares, or investors' certificates. Apart from the narrow basis on which the whole is organized, difficulty is frequently experienced in changing the collateral security, and the element of constant alertness for new possibilities, which is so marked an attribute of the best British trust company management, is almost entirely absent. A third type is the "Massachusetts trust," managed by trustees or a fiscal agent, and a fourth the "common-law trust," managed by a company, which either participates in earnings or receives a fixed fee for management. The last-named is largely a cooperative organization. Investors may withdraw their money at any time, and no corporation taxes are paid on earnings. So far only four such trusts have been formed. Mr. Higgins believes that the rapidity with which the whole movement has developed may have been conducive to much mistaken policy. He would seem to consider that the investment trust has come to stay as a part of America's financial machinery, but that it has scarcely touched the fringe of many problems, the solution of which is vital to its success. Early next year it should be possible to form an idea of the financial results of some 80 different American trusts, and the figures should make interesting reading, in view of the fact that many have issued debentures and preference stocks at 6 per cent, while about 5 per cent is a fair average present yield on good common stocks in the American investment market.

EXHIBIT B

[From The World, Sunday, November 27, 1927]

(By John A. Crone)

* * * * * * *

There is, therefore, nothing magical about this latest financial fashion. Using the investor's funds as tools, and with the same aim as a savings bank or insurance company, the investment trust endeavors to employ the money safely and profitably, and in so doing is subjected to the same fundamental, economic, and financial laws as any other business.

The investment trust—announcements to the contrary—is not like a savings bank or insurance company, except in so far as it affords a medium for savings and offers diversified investment.

A savings bank pays all depositors the same rate of interest, and, subject to certain legal limitations, a depositor may demand the return of his deposits. The investment trust pays interest or dividends according to the type of risk purchased—in this respect it resembles the insurance company—and it is not obligated to redeem its securities on the demand of the buyer thereof.

Savings banks and insurance companies employ deposits and premiums to buy securities—which are legally prescribed—much in the same manner as an investment trust, but the latter is not publicly regulated or supervised, frequently pays no State taxes, and in some States is not legally recognized.

Since savings banks and insurance companies in this country provide vehicles for savings to the person of average means, it is natural that the investment trust originated elsewhere.

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Just when the public was becoming acquainted with bankers' shares the numerous modifications of the five trust forms and the finance and holding company, banks began to call their security companies "investment trusts." There are, therefore, to-day "promotion" trusts, "underwriting" trusts, "financing" trusts, and many other financial forms loosely classified as investment trusts and often claiming to be like the original Scottish investment trust.

DIVIDE THEMSELVES INTO TWO CLASSES

The multitudinous varieties of investment trusts, from the point of view of issuance and redemption of securities, divide themselves into two broad classes. The one, based on the Scottish type or its many variations, creates a new security by setting up the investment trust as an intermediary between the investing public and the securities acquired as an investment. These trust securities may be sold like any corporate obligation. The other, applying the principle of joint ownership, issues participations which must be turned into the trust, which draws out a certain portion of the pooled funds for redemption.

Viewed from the point of management there are two general types, the discretionary and limited or fixed trust. Management is supreme in the former and is merely an auxiliary in the latter. Studied from their corporate form "investment trusts" can be grouped under four classifications. They are: (1) The bankers' share companies; (2) the corporation type, which resembles the British trusts, issues debentures, preferred, and common stock; (3) the Massachusetts trust, managed by trustees or a fiscal agent; and (4) the common law trust, managed by a company which participates either in part of the earnings or obtains fixed fee for management. One of the distinctive features of the latter type is that investors may withdraw their money at any time.

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The best test of an investment trust would be its performance over a period of years. Since most of these organizations are new, however, other measures of standards must be applied. Management is of prime importance. Like Mr. Higgins and many students of the investment trust, the writer believes the management should lay all of its cards on the table. The life-history idea of each director or manager is not a bad way of finding out whether the persons you are trusting your money with are worthy of that confidence.

EXHIBIT C

In 1926 the London Financial Times in an editorial said:

"The safe investment of money at good yields is by no means an easy problem, but becomes more of an exact science with an investment trust company than with the average individual whose capital is limited and to whom mistakes may be serious.

"In spite of all the care exercised when making investments where it is sought to combine high rates of interest with good security, no one can help making mistakes at times, but in the case of investment trust companies only a comparatively small portion of their funds is placed in any one security, while their holdings are widely spread in different countries and in various kinds of investments. Consequently, the influences which were responsible for loss in one country or in one class of security may also be responsible for improvement in other countries or in some other class of security, and in the main the accounts submitted prove a balance well on the right side.

"The private investor is undoubtedly beginning to realize more and more the advantage of placing his money in the securities of the investment trust companies, where not only satisfactory dividends can be counted on, even in bad times, but where the risk of loss of capital, inherent to any business, is reduced to a minimum through the sound distribution of risk, both geographically and in the varied nature of the investment held."

EXHIBIT D

[Powell's Evolution of the Money Market]

THE FINANCIAL TRUSTS—"INVESTMENT BY PROXY" AND ITS EXTENSION

[From Powell's "Evolution of the Money Market"]

In spite of the large sums lavished in financing the "new" nationalities and in equipping the ephemeral joint-stock ventures of 1826, as well as the innumerable railway projects which followed them, it remains true that down to the accession of Queen Victoria a huge proportion of investment was on mortgage. The reason, as Sergeant Onslow told Parliament in 1825, was that land was "the best and readiest security[1] which could be offered for money." The solicitor general said at the same time, that nine out of every ten estates in the kingdom were loaded with mortgages—one of the results of the terrific taxation necessitated by the Napoleonic wars. A multitude of small investors clung to the funds. Baring said in 1830 that out of the holders of the 274,823 stock accounts then on the books of the Bank of England, 250,000 did not receive a greater half-yearly dividend than £100, and the number of half-yearly dividends of £500 did not exceed 2,000. Of course, when the early Victorian public completely lost its head, as it did in the railway mania, the investing class was temporarily recruited from all sections of the community. The Government return of railway shareholders, issued in 1846, shows that there were upwards of 20,000 subscribers to the lines and branches seeking authorization in one session alone. These recruits included attorneys' clerks, college scouts, butchers, coachmen, dairymen, beer sellers, butlers, footmen, and mail guards. But, broadly, the proposition remains true that these classes did not enter the arena of investment for many years after the railway craze.

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[1] In its primary legal significance the word "security" still refers only to money secured on property, and not to investments in the stocks or shares of a company or the issues of a public authority. This limited antique meaning it will be taken to have in a will, unless the context clearly indicates that the testator used it as synonymous with "investments." So said Lord Justice Romer as recently as 1904. (Re Rayner, 1904, ch. 1, p. 189.)

When the mortgage began to go out of favor investment in stocks and shares of the industrial type, as well as in the best class of foreign bond, was still a privilege restricted to the wealthy. A typical list of shareholders of the mid-Victoria period will be found to include practically only representatives of the wealthy, landed, and professional classes. Their holdings, moreover, were all in large blocks.[2]

Middle-class respectable people, especially, believed that all money invested outside the pale of government securities was embarked in speculation. They had yet to learn the meaning and solidity of a first-class industrial debenture with a huge margin behind it. The best that could be said of the nervous middle class in the sixties was that it was beginning to lose its nervousness.

"It is unnecessary," observed Arthur Crump in 1866,[3] "to remark that the number of persons who do remove their money for better investment is certainly increasing." These were the timid pioneers who had hitherto ranked railway stocks among purely speculative purchases, quite unfit for the investor. But after the Overend-Gurney crisis they began in a gingerly fashion to study traffics and to watch yearly reports. The small capitalist, however, still clung to the funds and the savings banks. With the latter we have already dealt (ante, p. 277), and with regard to the former it may suffice to say that in 1869 there were 5,065 Government stock accounts of less than £30 in the books of the Bank of England, and no less than 481 of them were under £5 in amount.[4] In 1870 came the elementary education act, and from that period to the present time there have been working the influences which have now created the modern investing public, its personnel numbered by hundreds of thousands, and representing every class of society except the absolutely destitute.

A "FELT WANT" IN INVESTMENT

There was good reason for mid-Victorian nervousness in the matter of investment. The traditions of the railway mania were yet comparatively fresh, and the tragedies of unlimited liability loomed large in the public eye. Inexperienced credulity had been the prey of roguery and imprudence in all directions. "There is no doubt that within the last 20 or 30 years enormous sums of money, representing the savings and accumulation of the individual interest of this country, have been dissipated and lost in the attraction of new but unsound investments."[5] Discouraged by these unwelcome episodes the aspiring possessors of surplus funds thought they knew that good investments were to be had, yet distrusted their own judgment in the selection of them. To would-be investors, in that frame of mind, the proposition of investment by proxy under good auspices was not unattractive. On the other hand, the opportunity of dealing with large aggregates of money by means of distributed risks certainly possessed a charm for the early exponents of investment trust finance, though it may be doubted if they realized whereunto this would grow.

For the moment their business was to aggregate the money of a large number of proprietors into the capital of an investment trust company, and then to employ the fund thus created to the best advantage suggested by the knowledge, experience, and skill of the various groups of city men who had placed themselves at the head of these new undertakings. So it is that in the establishment of the investment trusts we have really a distinct factor of the money market,[6] a species of the genus company which is as worthy as insurance to rank as an independent force, fulfilling a definite (and now indispensible) function.

THE TRUSTS A LATE DEVELOPMENT

Investment trusts[7] were practically unknown to the early money market. The long list of enterprises floated in the boom year 1825 includes many enterprises which look like financial trusts, but on examination prove to be something different. A so-called investment bank[8] with a capital of 4,000 shares of £50 each proposed to deal with "life interests, policies of insurance, contingent and reversionary interests, ground rents, improved rents, rent charges, and other property." "The objections to speculative theories," said the prospectus, "can not apply to the present proposed institution, which possesses nothing adventurous in its character."

A united British and foreign-loan company capitalized at £2,500,000 offered[9] 4 per cent, and intended to "facilitate" transactions in foreign securities, and to make advances on public works in progress in the United Kingdom. An Irish investment and equitable loan bank (capital, 10,000 shares of £50 each) adopted[10] the same program, so as to "cause British wealth to flow in Irish channels." The Equitable Investment Society and the Metropolitan Investment Society[11] were merely schemes for buying "landed property," especially near the metropolis. The first of the investment trusts, in the modern sense of the term, appear to have been the International Financial Society and the London Financial Association, both established in 1863. The business of the London Financial Association was defined as the lending of money on railway securities, provided the lines were finished. But criticism was offered of any loans on unfinished lines, because if the contractor failed the company must either lose what it had advanced or become more deeply involved by putting up money to complete the work. An undertaking of this type was an attempted compromise between the distrust of the investor and the necessity for carrying on railway enterprise. The railway could not wait for the public temper to change, or for its securities to filter slowly into the hands of investors. Therefore it deposited its securities with a finance company, and the latter agreed to accept the railway's debts for a specified sum. The finance companies were able to sell their shares at high prices to investors, who imagined that they had placed a buffer between themselves and the industrial risk. It was only when the unrealizable character of the securities had begun to be apparent that the weakness of the system stood out in glaring conspicuousness.

PRINCIPLES OF TRUST OPERATION

The best early enunciation of the principle involved in the investment trust company is contained in the prospectus of the Foreign and Colonial Government Trust, issued in 1868:

"The object of this trust is to give the investor of moderate means the same advantages as the large capitalist in diminishing the risk of investing in foreign and colonial government stocks, by spreading the investment over a number of different stocks and reserving a portion of the extra interest as a sinking fund to pay off the original capital.

"A capitalist who at any time within the last 20 or 30 years had invested, say, £1,000,000 in 10 or 12 such stocks selected with ordinary prudence, would, on the above plan, not only have received a high rate of interest, but by this time have received back his original capital by the action of the drawings and sinking fund, and held the greater part of his stocks for nothing.

"Some parties, believing that it would be a convenience to the public if such a mode of investment were made generally accessible, have made arrangements by which well-selected Government stocks, to the value of £1,000,000 sterling, will be placed in the names of the following trustees, viz:

"The Right Hon. Lord Westbury.
"The Lord Eustace Cecil, M. P.
"G. M. W. Sanford, Esq., M. P.
"George Wodehouse Currie, Esq., M. P.
"Philip Rose, Esq."

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[2] In my Mechanism of the City I illustrated this point by contrasting the personalities in the list (dated April 21, 1864) of the shareholders of the Alamillos Co. with the last return on the Selfridge file. In the case of the Alamillos shares the first 25 names on the list represent the occupations annexed, together with the number of shares inserted in brackets: A wharfinger (300), a solicitor (60), a brass manufacturer (107), a vice admiral (825), a firm of merchants (55), a professor of chemistry (10), a broker (285), a gentleman (550), another gentleman (350), a copper smelter (350), a doctor of medicine (52), a civil engineer (75), a treasury official (26), a spinster (136), a banker (50), a lady of title (3), a clergyman (10), a gentleman (1,000), a member of the stock exchange (16), a clergyman (100), a solicitor (321), a member of Parliament (207), an architect and surveyor (50), a decorator (30), and a banker's clerk (21). In contrast with the comparatively elevated social status of these investors we get in the Selfridge list such shareholders as a cabinetmaker (25), a commercial traveler (50), a gas collector (10), a clerk (30), a hospital nurse (10), a domestic servant (5), an outfitter's assistant (5), a farmer (100), a dressmaker (5), a housekeeper (5), a schoolmistress (10), a lady's maid (10), a grocer (5), an ironmonger (10), a valet (40), a printer (10), a caretaker (2), a governess (30), and a bespoke tailor (3).

There was originally an idea that shares of small amount—especially bank shares—would attract an inferior class of holder. So thought the 1836 committee. But, as Gilbart pointed out in 1859 (Logic of Banking, p. 222), the only effect of reducing the size of the share—originally, at all events—was to increase the number held by the average shareholder, and not to attract small capitalists. "In the banks of £100 shares," said Gilbart, "each proprietor has taken upon an average 28 shares, on which he has paid the sum of £444. In the banks of £20 shares each proprietor has taken 43 shares and paid £359. In the banks of £10 shares each proprietor has taken 52 shares and paid £400, while in the only bank of £5 shares each proprietor has taken 117 shares and paid £585."

[3] Banking, Currency, and the Exchanges, p. 244.

[4] Letter of the governor [Crawford] to the Chancellor of the Exchequer [Lowe], Jan. 25, 1870.

[5] Stock Exchange Commission, 1877-78, Report, p. 10.

[6] The money market is generally said to comprise four factors: (1) The Bank of England; (2) the "check-paying banks," as Mr. Withers calls them, in order to distinguish public banks from private mercantile houses, who, although they do an acceptance and quasi-banking business, have no customers who are entitled to draw checks upon them; (3) the bill brokers and the mercantile and discount houses; and (4) the stock exchange. In the present survey, however, the joint-stock companies and certain specialist forms of joint-stock enterprise like insurance, and the trust, finance, and investment companies have been treated as distinguishably separate factors of the money market.

[7] The word "trust," as here employed, signifies an organization totally different from a "trust" in the American sense of a monopoly control of some commodity or facility. This distinction is very important. The English investment trusts are not monopolies, and have no monopolistic ambitions.

[8] Times, January 7, 1825. The advertisement appeared for several days.

[9] Times, Jan. 17, 1825.

[10] Times, Jan. 19, 1825.

[11] Ibid.

The trustees had decided that a certain group of dividend-paying foreign and colonial stocks should be selected for purchase with the funds of the trust—namely, Austrian, Australian, Argentine, Brazilian, Canadian, Chilean, Danubian, Egyptian, Italian, Nova Scotian, Peruvian, Portuguese, Russian, Spanish, Turkish, and United States bonds—not more than £100,000 being invested in the stock of any one government. The average rate of interest on the investment in these stocks was given as 8 per cent, while profits were expected from the repayment at par of a large number of them, purchased considerably below that figure. The certificates of £100 each were to bear 6 per cent interest and to be issued at 85. This, as a matter of fact, was an investment trust in the modern sense of the term. Designed for the benefit of the middle-class investor in the later sixties, it was destined, as we shall see, to be the model of another trust, issued under practically the same auspices, nearly 50 years later, for the purpose of attracting a democratic clientele by a direct appeal to the "people."

THE DISTRIBUTION OF THE RISKS

On the part of all the investment trusts of this period there was the clearest recognition of the protection afforded by the geographical distribution of the risks, itself a specialized application of one of the principles of insurance. "Our great safety," said the chairman of the Government's Stock Investment Co., "is having a wide area in which we trade instead of depending upon one municipal capital or one country. We have 40 or 42 different investments, that is, investments secured by different governments."[12] The insurance element was specifically mentioned in the prospectus of the Submarine Cables Trust, issued in 1871, which called attention to the advantage of standardized investment "by distributing the risk over a number of kindred undertakings and making one insure the other." One risk was to be offset by another, so that the investments might almost be described as a group of cooperative insurers. The prospectus of the Gas, Water & General Investment Trust urged that "the capital of the company will be spread over a large number of securities in such a manner that, by the principle of average, the investor will obtain a good rate of interest, without being subject to violent fluctuations in dividends or exposed to the necessarily precarious nature of an investment in any one concern, however sound." Yet another specialized form of this financial trust was the mortgage company, whose business, as ultimately elaborated, might be described as long-dated banking. For instance, in Australia the settler sometimes experienced difficulty in obtaining an advance for a term of years. The banks were disinclined to accommodate him except by means of short-dated promissory notes and accommodation bills. At this period they would not, as a rule, advance their money on mortgage, though their practice became less rigid later. Their discount of promissory notes and bills was generally subject to the condition that there should be a second name to them. This necessitated the settler obtaining the acceptance or indorsement of the merchant to whom he was consigning his wool or other produce, and for this accommodation, of course, he had to pay. The result was that the commission, added to a bank charge of probably 9 or 10 per cent, was a very real obstacle to the progress and settlement of the colonies. The problem to be solved was the provision of the means of lending money for a term of years at a reasonable rate, and the solution was the formation of such companies as the Trust & Agency Co. of Australia, which directly cultivated that class of business with considerable success.

THREE DISTINCT TYPES OF "CREDIT SHOP"

By this time, then, the rise of the trust and investment companies enables us to discern in activity the three classes of "credit shop"[13] each selling the same commodity, but each specializing in a particular species of it, clearly differentiated from that sold by the other two. The bank sells short credit only. The finance company caters for a class of business which requires a much longer credit than a banker can give, consistently with his duty of maintaining his assets in liquid form. The investment trust company, again, enters a given transaction for a much longer period than a finance company, if, indeed, it does not purchase the investment for permanent holding. It was the attempt to combine these three functions in one enterprise which led to the collapse of the Birkbeck Bank. The capital had been obtained on a building society basis, while the deposits were sought as if the institution receiving them was a bank in the strict sense of the word. Finally, when the capital and the deposits were aggregated, the funds were employed as if the company was an investment trust, not liable to be called upon to repay any part of the money which was employed. The same fate would probably have waited on the scheme proposed in the sixties by the town clerk of Liverpool, for empowering municipalities to establish savings banks, and to employ a third of the deposits in municipal undertakings such as waterworks. At all events, the Australian banking crisis of the early nineties was an example of the consequences which followed an abandonment of sound banking principles in the attempt to combine long-term loans with the liability to pay specie on demand.

BOLD EXTENSIONS OF THE TRUST PRINCIPLE

From 1884, when the Mercantile Investment & General Trust was founded, to 1890 there was quite an epidemic of trusts. Attempts to form bank share trusts were indeed unsuccessful, owing to the refusal of the great banking companies to accept the trusts as shareholders. But as regards other trust enterprises, no less than 12 were established in 1889, under the stimulus of Mr. Goschen's conversion of consols. The reduction of the interest created a demand for investments which were in effect a mixture of stocks, in the belief that an average of second-rate—or even third-rate—holdings would give a return greatly superior to that obtainable on consols without the introduction of any really abnormal risk. The sponsors of the Nitrate & General Investment Trust Co. early in 1889 urged that the average yield of the holdings of a trust company could be materially raised by including in its holdings the stocks even of very speculative enterprises. It was proposed, therefore, to invest some part of the funds of this trust "in the best of the nitrate companies which have been introduced to the London market." Nor did nitrate represent the most speculative of the industries which the growing boldness of the investment trusts tempted their directors to touch. The African Gold Share Investment Co. did not actually propose to form companies or to purchase properties, but it was prepared to guarantee and provide capital for gold-mining enterprises on favorable terms, and in this way it was believed that the high yield obtainable on the shares of these undertakings would raise the average return on the capital invested. Finally we have a reversion to mortgages. The Union Mortgage Banking & Trust Co. initiated, with a capital of £2,000,000, a scheme for lending on the first mortgage of improved agricultural property in the United States, so as to combine the advantages of that species of security with the higher yield obtainable in a "newer" country than Great Britain. The proposal was that the company should receive money from investors at a fair rate of interest in exchange for its debentures. These were, in turn, to form a charge on all its mortgage investments, reserve fund, uncalled capital, and other assets. The money was then to be invested—and here once more is the crucial point of the whole argument—"at a higher rate of interest in small amounts, thus acquiring the guaranty for safety afforded by the law of average."

The prospectus of the River Plate & General Investment Trust Co. (capital £1,000,000) defined the maximum single risk to be taken. The business of the company, the directors said, was that "of distributing its capital over a number of different securities on the principle of averages, no investment being made exceeding £10,000 in any one undertaking without the unanimous resolution of a meeting of the trustees." Candor requires the admission that some of the investment trust enterprises of the Baring crisis year were not so much genuine finance and investment trusts as gigantic relief funds, designed to take huge blocks of securities from various parties who found it inconvenient to go on "nursing" them. Further, under the stimulus of a popular craze of the familiar type which gives us mining and rubber booms, these undertakings launched out into insurance, executorship, trusteeship, safe deposit, loan and commission business of every sort and kind, the sale and purchase of land on commission, agency, and company promotion, with results that became only too familiar to the investor in the early nineties. The existence of these abuses of the principle, however, need not blind us to its undeniable utility when operated under skillful and honest administration.

THE TRUSTS AND THE "PEOPLE"

The theory that the trust companies represent, at all events in one of their aspects, an endeavor to provide investment by proxy on behalf of a class insufficiently experienced to act on its own account was strikingly confirmed when, on March 20, 1914,[14] there appeared the prospectus of the People's Trust Co. (Ltd.). This venture was obviously modeled on the Foreign & Colonial Investment Trust, which had been established 46 years before (ante, p. 469). Messrs. Glyn, Mills, Currie & Co. were the bankers of the later enterprise, and a member of their firm had been a trustee of the earlier undertaking. One of the trustees of the Foreign & Colonial Trust was Mr. Philip Rose, of Baxter, Rose & Norton, whose successors, the firm of Norton, Rose, Barrington & Co., were solicitors nearly half a century later to the People's Trust. But the most striking and suggestive analogy is found in the fact that while the earlier trust was formed, as we have seen, "to give the investor of moderate means the same advantages as the large capitalist," the later undertaking was "established to extend to the working and industrial classes" a form of investment much appreciated by a richer clientele. The prospectus proceeded to say that the new company would "enable even the smallest capitalist to acquire an interest in English and foreign railways, colonial and foreign loans, and

[12] Meeting, January 2, 1873.

[13] This word "shop" is immemorially attached to banking and credit business. In the very early days of Martin's there is a charge paid to a useful functionary for "killing the bugges in the shop," and as late as 1814 we find the Craven Bank inserting in its balance sheet, "By banking shop and outbuildings now purchased, formerly rented only, £488." The reason for the survival of the word is, of course, the fact that the banker's business was originally only a subordinate function actually carried on in a shop devoted to other purposes.

[14] See the Financial News of that date for the prospectus.

great commercial undertakings, and to share in large financial operations.

The company will adopt the principle that has been found to work so well with existing trust and investment companies of distributing its capital over a wide area and in a large number of undertakings, and it has been proved that by so doing a satisfactory return can be obtained without taking undue risks. Thus, in 1868 it is the man of moderate means who is invited to invest by proxy, but in 1914 the gradual devolution of capitalistic capacity has made it desirable to provide investment by proxy for the "working and industrial classes." As there is no class at a more modest level than this from which investors may be recruited, we may correctly say that the opportunity of advantageously investing money has been now brought within the reach of everybody who has money to invest.

TRUST FUNCTIONS HAVE BEEN MODIFIED

About the general success and the pronounced importance of these companies as factors of the modern money power there, of course, can be no two opinions. One has only to look around at the vast aggregation of influence represented by the Lord St. David's group or by other powerful trust companies to see how well the principle works and how thoroughly it has adapted itself to the needs of the period during which it has been elaborated. Whether, however, the system is destined to remain permanently necessary in the form in which it first functioned is another matter altogether. Originally the investment trusts represented the standardized investor. They sought to aggregate the funds of people who were too nervous or too inexperienced to invest their own money. In that way they enabled this class of moneyed individual to secure financial benefits which had otherwise been out of his reach. The aggregation professed to take all the precautions with regard to the distribution of the risks and the mixture of the types which a prudent investor of the shrewdest stamp would have adopted for the protection of his own money. Its directors seldom changed investments once made. They awaited redemption and collected interest meanwhile. Nowadays, at the point in the evolution of the trust company which has so far been reached, this ideal still survives and new trust companies are still created. But while the trust company still functions for the present in its original form it is becoming less a means of vicarious investment than a recognized and necessary factor of the modern money power, taking its share in the guidance of the policy of the great financial hierarchy which now controls the economic destinies of the world.

WIDELY EXPANDED FUNCTIONS

It watches the market, changes its investments, gets out of this and into that as the economic or political ebb and flow suggest. It competes for underwriting, and in that way not only makes money when the issue goes well, but acquires new holdings on bed-rock terms where it is "stuck" with part of the stock or shares which it has underwritten. Further, a very important and characteristic function of the modern trust company is its work in city salvage. An enterprise which has a valuable property and good prospects finds itself at the end of its capital resources. The time is not congenial for a public issue; how, then, is the company to be maintained in existence and saved from the loss of all the capital already expended on its property? The answer is that the trust company will be prepared, on terms, to elaborate a reconstruction scheme and to guarantee its success—that is to say, to guarantee that if the shareholders do not come forward with sufficient funds, it will itself put up the money. In this way, companies which have reached the end of their tether are frequently snatched from disaster and almost as frequently transformed into prosperous enterprises. Of course, the position of their affairs must stand the scrutiny of expert examination. But that is rather a gain than a loss from the point of view of the financial fabric as a whole. These activities, almost entirely characteristic of the post-Baring period, constitute quite a different program from that which was originally undertaken in the eighties. There are two reasons for the change. The one is that the existence of a centralized money power did not fully dawn upon the world until the Baring crisis had demonstrated its immeasurable potency for good; the other is that the modern middle-class investor is now, on the whole, sufficiently educated to do his investment work for himself, selecting his own securities and keeping them in his own strong-box or at his own bank. In the earlier decades he was delighted to discover that responsible persons would accept the charge of his money, and invest it in such a manner that he could get a safe 4 per cent upon it. Nowadays he takes the responsibility himself; and he is all the more inclined to do so because he can get 5 per cent with perfect safety, without the intervention of a trust at all.

The finance, investment, and mortgage trusts, however, remain as standardized corporate investors, in that it is their constant and very successful endeavor to raise the rate of return on their money without infringing the canons of financial prudence. Their invocation of the law of average makes them self-insurers; so that, inasmuch as they possess a specialized skill, the risk is taken by those who are capable of measuring it. "To confine speculation to those who have aptitude and training for it and to discourage stock and commodity gambling is one of the economic problems of the day."[25] There is only a minor element of gambling to be considered in the case of the trust companies, but there is an undeniable assumption of a legitimate (and socially beneficial) financial risk on the part of those who have aptitude and training for it. The great trust and investment companies, again, are a class of strong holders, performing a fruitful function at all times, but most of all in days of market stress. A trained investor (whether an individual or a corporation) is a "good" holder, whereas his untrained, nervous conferee is a "bad" one. The difference between the accumulation of stock in "good" hands or "bad" may be of great moment to market conditions, and consequently to the prices of securities, in the hour of stringency. It may mean the difference between stress and crisis or between crisis and panic. The cool heads of the managers of a great trust company are not turned by crisis or by the threat of panic. They do not rush to fling everything on the market. They are more likely to steady it by timely purchases. As they are in constant communication with the other controlling influences of the money market, their trained and fearless cooperation is one of the bulwarks of the financial fabric itself. It will possess an augmented and invigorated potency when the movement toward a completely centralized control of the allied insurance function, vast in influence and resources, shall at length be crowned with realization.

In Germany the rôle of the trust company is to some extent filled by the subsidiary banks (Tochtergesellschaften), which carry on industrial finance by means of capital supplied by the parent company. Occasionally they are regarded as branch banks, but they are not truly such in the English sense.

EXHIBIT E

[From The Economist, April 29, 1882]

THE PECULIARITIES OF TRUSTS AND TRUST COMPANIES

Last December, when commenting upon the Railway Investment Co.—a "trust" which, being successfully placed, has since found imitators—we remarked that while the inducements offered by such undertakings would probably become more and more appreciated by small investors, they were "only adapted to the averaging of profits of securities which are fully paid up. For such an undertaking would be seriously jeopardized by the failure of a security upon which a succession of calls were possible." Yet within the past few days the prospectus of a Bank Share Trust Co. has appeared, all the directors of which are already bank directors; and while the proceeds of the trust are to be invested in bank shares having uncalled capital liabilities, the trust shares themselves are to be "fully paid, and free from all liability." Let us see how this is to be accomplished. It must be admitted, in starting, that the shares in well-established banks are very sound investments; that, as a rule, they yield a handsome return (generally over 5 per cent) to the buyer; and that it is probable they are improving properties, the reason being that for investment purposes they have not more than made good the general fall in 1878, while almost all other investments have advanced largely. Hence it may be conceded, for sake of argument, that the shares of banks which have well taken root are more than ordinarily safe, profitable, and improving. There still, however, remains the question of the liability, which subscribers to the trust are to be wholly freed from. If we accept the verdict of the counsel consulted, we must believe that "under no circumstances could a shareholder in the proposed company be rendered directly liable for any calls on the shares held by the company, or indirectly liable beyond the amount (if any) remaining unpaid on his shares." There are bank shares to bearer, like those of the Imperial Ottoman and Anglo-Austrian Banks, which are, of course, free from liability. But these are avoided; and the prospectus of the company contains the following important provisos:

"This company will invest its funds only in shares or stock of banking companies having their head office in the United Kingdom or the British colonies, subject to the following conditions—

"(a) No shares will be bought except those of banks where the liability is limited, either by charter or by act of Parliament.

"(b) No investment of more than 5 per cent of the company's capital will be made in any one bank.

"(c) No investment will be made in any one bank to an extent involving an uncalled liability of more than 5 per cent of the capital of the company.

"(d) The only authorized investments will be in some of the banks named in the schedule hereto, which may, however, be from time to time extended by the company in general meeting.

"Ample provision is made under the articles for the registration of the shares bought by the company in the names of proper persons, at least two as to each set of shares, for the protection of the company, and for the indemnity of those who may act as its trustees, in cases where the company itself is not accepted as transferee."

The capital being placed at 1,500,000*l*, it therefore remains that no investment in any bank can reach more than 75,000*l*; but as a rule they must be below that sum. For instance, London and Westminster

[25] H. R. Seager, Introduction to Economics, p. 176.

Bank shares are of 100*l* each, 20*l* paid, and the liability of 80*l* per share will limit the investment to about 9,000 shares, worth 63,000*l*. The order to purchase any similar amounts of shares in some of the smaller banks named on the schedule would greatly enhance their market values, for bank shares are, as a rule, steadily held, and the more steadily when prices are rising. But, apparently, as the names of 65 banks are mentioned, it is contemplated to obtain a very extensive range of small holdings; and as it is probable that many of the banks may refuse to register the trust, it is proposed to employ trustees for this purpose. The questions arise: Are these trustees to receive any payment for their services? Can responsible men be got to become sponsors for the trust, even after obtaining the "indemnity"? And will not the knowledge that they may be acting in the same capacity in respect to a large number of other bank securties render them undesirable shareholders? These are matters for the bank directors and managers to consider carefully. Again, let us suppose that 4 per cent (60,000*l*) of the capital were invested in a bank, and that at a time of pressure that bank failed, and called up out of its reserved liability a further 60,000*l*. In this case the holdings would be swelled up to 120,000*l*, or to 45,000*l* beyond the limit of 5 per cent. Or, without failure, banks have been known at such times to make calls upon their shareholders, which would also necessitate the overstepping of the 5 per cent limit. Various points for question thus arise in considering the details of the scheme.

But the question of registration of a fully-paid company as proprietor is the one difficulty in the path of this trust, and we shall be much interested to see the matter put to the test; for, if successful, it will open the door to many imitators. In the admittedly all but impossible event of the entire capital being lost through failures, we can not think that our courts of law would hold the shareholders free from liability. But apart from this, the entire difficulty of registration might have been overcome without the employment of go-betweens and without raising the question whether the trust can be permitted to hold the shares in its own name. If, for instance, the shares of the trust had been of 20*l* each instead of 10*l*, as now fixed, and the amount called had, as at present, been 10*l*, there would have been an uncalled liability, which, with the restrictions mentioned in the prospectus, would have been quite a nominal liability, yet at the same time amply sufficient. Neither should we think the subscribers to the concern would have been less numerous. Of this we are quite convinced, that no trust can ever override a legal obligation to pay calls, and the prospectus before us says that the company has no intention whatever of doing so. But banks are not by any means unmindful as to the names admitted upon their lists of shareholders. They would certainly have no liking for weak trustees; and we have, before now, known questions raised and asked with respect to registrations which may well be revived in the instance before us.

[From the Economist, July 10, 1886]

The question of dividends paid in the past ought not, therefore, to be the sole gauge which should determine an investor in the selection of a trust company. He should, if he is wise, be guided much more by the names of those who are responsible for the management of the concern. He must remember that his money, when transfused into so much stock of a trust company, is in reality employed at the will of other people in the purchase or sale of shares and bonds which they select, and in the choice of which he has no voice. It might easily happen that one year a company made a large and attractive rate of profit through some lucky manipulation of stocks held by the trust; but next year the investor might find himself with a largely diminished income, or even with no return at all, through the bungling of those to whose superior wisdom in making investments he so trustingly confided. This, of course, is an extreme case; but it is worth emphasizing that trustees, honest, capable, and above suspicion, should be regarded by the investor as of far more account than brilliant dividends or glowing promises.

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There is only one more point to which it appears necessary at this moment to refer, and that is, the publication in the annual report of a list of the securities held on behalf of the trust, in order that the stockholders may be satisfied as to what is being done with their money.

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The directors would have done wisely, we think, after the report of the special committee appointed to investigate the matter if they had followed the plan adopted by other companies in announcing frankly to their constituents how their money is represented. Indeed, we regard it as absolutely necessary for the protection of the shareholders that a list of the securities held should be an integral part of the annual report, and that all the changes in the company's investments during the year should be specifically stated, in order that it may be seen how far the directors' operations have been beneficial to the company, and how far they have been mere stock-jobbing. It is difficult to see what possible harm or disadvantage to the company could arise from such publication, and the gain to shareholders—present and prospective—would be enormous. We are of opinion, moreover, that all the securities held should be revalued once a year by an independent stockbroker to be appointed by the shareholders, after the fashion of an auditor; and that no dividend beyond a fixed rate, say, 5 per cent, should be allowed to be distributed until any shrinkage in market value during the year had been provided for in some equitable way. This would not necessarily involve the subtraction of the whole amount of the depreciation from the profits of the year, for that would be unreasonable; but some kind of sinking fund might be constituted for the replacement of such capital as happened to be lost through default or liquidation, or (as is now the case in the Railway Share Trust), the depreciation might be carried to a separate account, no higher dividend than 5 per cent being allowed to be distributed whilst the account remained in debt. At present most of the companies appear to divide their profits up to the hilt, trusting that when the time comes for realizing any of their securities they will reap a handsome profit in every case.

[From The Economist, July 21, 1888]

Recently, however, investors have changed in their taste, having become, indeed, quite eager to subscribe to almost any new trust undertaking which has appeared to be of a bona fide character. This has been largely due, of course, to the conversion of the national debt, which, by reducing the rate of interest obtainable on nearly all securities, made it necessary for many investors to increase their income by placing their money in securities of what may be called a "contingent" character; and in order to enable them to do this with the minimum of risk, a number of new trust companies came into existence. As a result, the market for these securities has become, as we have said, one of considerable importance, and hence they have now been placed in a separate section of the London official list.

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There is one other point in regard to trust companies to which attention may be drawn, and that is the tendency to specialize or restrict the character of the new undertakings which are formed. It seems to be a favorite idea to have trust companies for almost all the different classes of securities, and thus we have had, for instance, an undertaking formed to hold only brewing shares, another for mining shares, etc. But in a number of instances, in which this idea of specializing the trust has been worked out, the results have been decidedly unsatisfactory. To see this we need only look at the Railway Investment Co., which owns home railway ordinary stocks, mainly those of the so-called heavy lines, and as a result of the decline in their dividends the company has fared so badly that half of its stock—the deferred half—stands at nearly 75 per cent discount. We have a similar instance in the Globe Telegraph & Trust, which owns telegraph securities, mainly those of the Atlantic cable companies, and the Submarine Cables Trust is also another case in point. But, indeed, it is very obvious that the real principle of a trust company is departed from when its capital is invested in a limited class of stocks, all of which are subject to the same influences. When this is done, an investor might better invest his money directly, for he utterly fails to obtain that reduction of risk to a minimum which results from the distribution of capital in small amounts over a very wide area—the fundamental principle of a sound trust. In fact, it is almost a truism, that in proportion as a trust is specialized, so it loses its distinctive character and use, while the wider its sphere of operations is made, the more does it fulfill those functions for investors, which they are usually unable to perform for themselves.

[From The Economist, April 6, 1889]

There is, moreover, another difficulty arising out of this characteristic of the directorates of trust companies. At the present time it is exceedingly difficult to find sound securities bearing good rates of interest, for all the investment brokers are alert to pick up anything cheap, in order to supply the needs of their clients. * * * As a matter of fact, it needs but little experience to know that in present circumstances the efficient management of a trust company is no sinecure, but needs the almost exclusive use of much knowledge and vigilant attention, and we fail to see how, in many cases, the companies are at all likely to get this from directors who can give to each only a fraction of their time and minds. * * * only about 4½ per cent. Upon such yields as these it is evident the trust companies can only pay small dividends, and, in so far as they are investing in these stocks, it must mainly be in anticipation of a profit to be obtained by an advance in prices, which is speculation pure and simple. On the other hand, if they are investing in more risky stocks, it is doubtful if their own securities will prove so stable as most people anticipate. In fact, we can not help thinking that the existence of a good many recent trust companies is due partly to the desire for easy directorates, and partly to attraction of the fat investment business which such companies afford. And in many cases investors, instead of buying the trust companies' stocks, would be likely to do better by forming a small trust or selected holding of securities for themselves.

[From the Economist, June 21, 1890]

In the first place, the employment of the word "trust," as a description of the business proposed to be undertaken, is to a very large extent misleading. It is true that some of the companies invest a greater or smaller proportion of their capital in readily marketable securities, and thus by spreading their risks obtain upon their investments a fairly steady rate of interest. This is, of course, a useful function to perform, for it is possible, and even very probable, that a board composed of experienced men of business may make a better selection of stocks than an individual investor would be able to make. The experience of the older trust companies has shown, however, that transactions of this description, though safe enough when properly and judiciously conducted, seldom yield anything like a high rate of interest upon the capital employed, and it is perfectly obvious that the extravagant profits obtained within the past few years by the group of companies to which we have more than once alluded could not possibly have been derived by averaging the interest secured on their investments.

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And there is another point which should not be left out of sight. The Financial Trusts, as a rule, in presenting their accounts simply show in a line what the profits of the year have been, without specifying in what way the profits have been made. Information given in that way is obviously insufficient. The accounts should show in separate items the interest obtained on investments, the amount earned as commission on the introduction of new companies, and the profit derived from underwriting operations. With these facts before them, shareholders would have the means of ascertaining what proportion of their profits came from regular sources, and what from merely ephemeral transactions, and with this knowledge they would be able to judge whether, in fact, the game was worth the candle. And, finally, it should be clearly shown upon what basis the profits are assessed, whether by actual receipts or by the temporary fluctuations in the value of securities. In the absence of such information, shareholders simply participate in a blind pool, an arrangement satisfactory enough to those who are behind the scenes and regulate their operations accordingly, but scarcely of a kind to satisfy a prudent investor. Very probably any attempt to enforce the suggestions we have made would be strenuously resisted by the founder directors, who have made such a rich harvest by adopting the Financial Trust idea, but, in default of such information, we can not but think that investors should be very cautious, indeed, when dealing with undertakings of the kind.

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There is all the more necessity to raise these questions at present, because other trust companies will soon be making up their accounts, and it is very desirable that right methods of valuation and of dealing with apparent profits should be adopted. And the secrecy which the companies maintain as to the nature of their investments renders it essential that the public mind should be assured that the capital is not being squandered. That policy of concealment is greatly to be deprecated, and we are astonished that shareholders should consent to it. It impairs confidence at all times, and it can not but have very prejudicial results upon the market estimation of those institutions if there should be reason to apprehend that proper care is not being taken to maintain their capital intact.

[From The Economist, May 2, 1891]

A LESSON FROM THE LATE TRUST COMPANIES' MANIA

It has now been made very evident that the gambling trust companies would, as a whole, have fared much better if, instead of buying in 1889 at the top of the wave, they had simply let their funds lie idle until the present time and gone in for their securities when the inevitable drop had followed. Instead of that they operated when securities were sustained by the glamor cast over them by a previous long-continued rise and combined together so as to carry that rise still further. Even when the investors began to hold back, they still went on, and the result is that when they were so full up that they could absorb no more, prices came down with a run, and they must now hold on in the hope of a recovery at some future time. It is all very well to say that they intended to turn over their capital and not to hold on at the prices of 1889. While they could sell to the public they did so, and many of them made large profits. But they were gamblers' profits, lightly come by and lightly lost, and whereas even 12 months back practically the whole of these companies stood at a premium in the market, many at a high premium, as we write the majority are at a discount, and only those which were early in the field and began buying before the rise had taken full effect are at a premium. Some were enabled to amass substantial reserves before the fall took effect, and these have the advantage now, though probably a long wait is before them, and others are happily not materially embarked in South American or other of the most risky securities in vogue during the late mania. But in the following list it will be seen the depreciation of the past 12 months has been universal, and their founders were altogether wise who transferred their founders' rights to the companies started for the purpose of buying them up at a convenient time.

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Trust companies' ordinary and deferred stocks

	April, 1891	April, 1890	Movement
	Per cent	*Per cent*	*Per cent*
Alliance Investment Trust deferred	75	109	−34
Army & Navy Investment Trust deferred	94½	111½	−17
Bankers' Investment Trust deferred	84	111½	−27½
Colonial Securities Trust deferred	55	90	−35
Consolidated Trust deferred	80	100	−20
Debenture Corporation	147	165	−18
Foreign, American, & General Investment Trust deferred	110	122	−12
General & Commercial Investment Trust deferred	70	102	−32
Government Stock Investment deferred	75	111	−36
Guardian Investment Trust deferred	89	107	−18
International Investment Trust deferred	105	116	−11
Investment Trust Corporation deferred	120	143	−23
London Trust Co. deferred	105	117	−12
Mercantile Investment & General Trust deferred	106	120	−14
Merchants Trust, ordinary	82½	101	−18½
Omnium Investment deferred	91	110½	−19½
River Plate & General Investment Trust deferred	77½	92½	−15
River Plate Trust, Loan, & Agency ordinary	178	287	−109
Scottish Investment Trust deferred	87½	105½	−18
South African Gold Trust ordinary	100	300	−200
Trustees, Executors, & Securities Insurance Corporation ordinary	182½	225	−42½
United States & South American Investment Trust deferred	79	104	−25

We have here included the best known among these undertakings, and there are many of the later formed trusts which would make a worse comparison. But we have no desire to paint them as a class unfairly, nor to decry the principle of the trust company so long as investments are effected judiciously and there is effort to make money fast by illegitimate means. Those trusts which for a time made such a grand show by underwriting new securities were, we held, mainly gambling concerns, and appropriated the word "trusts" as a blind. We considered their business and profits precarious in the extreme, and that they ought to sail under their true colors, and as the underwriting business is now dead for a time, their shareholders will soon find out, if they have not already done so, that our contention was right. In the majority of instances they are now crippled, and it will be found that in many respects their constitution is faulty. For instance, at this juncture they would have a very fair prospect of making money if they could extend their investments. At the present general depreciation there is a prospect of bettering their principal by judicious buying, which certainly did not offer itself two years ago. Yet two years, even one year, ago, they were free operators, whereas now, when there is a genuine opening, their hands are tied. This, it may be said, is the way of the financial world. Prices are low, because funds are locked up and the world is too poor to buy, and prices have been and will be high when available capital is large, and there is the confidence which the possession of capital affords. But distrust and confidence are not always the result of the absence or possession of available capital, and the time is probably coming when capital will right itself, and that before confidence in any but what are regarded as the very safest investments returns. Just now there is room even for a recovery in consols, and those who have funds will find that better returns may be realized by taking up safe securities than have been within reach for a long time.

But these financial trusts are out of the running. Some of them, it is true, have uncalled capital, but they would be nervous about calling it up, even if it were not already pledged as security for debenture issues. Nor can they, in the present distrust attaching to them, make further issues of capital, with a view to buying what there is a good expectation will recover in due season. Nevertheless it is obvious that the trust established at the present time has a far better prospect of making money and of a profitable future than was the case during the mania of two years back. The underwriting business certainly would not pay, and in making this statement we have not taken it into consideration. As we hold, the legitimate trust company is that which spreads a large capital over a great many securities, and averages the return upon those securities in the dividend paid to the shareholder, who, on his part, when investing in such a company's shares, is really investing in, say, 40 or 50 securities. Such a trust is a shareholder's mutual insurance company, and it should be worked reasonably as regards cost, and almost automatically. For such there would be ample room now. But the past excesses of the trust companies, due largely to the founders' element in their constitution which urged them on to speculate—for founders desired rather to see them make high profits even for a short time than to do a safe and steady business—have so crippled them that they are unable to avail themselves of the opportunity. They are compelled to let chances of future profits pass, because they have tied up all their available capital, and so impaired their credit that their power of floating debentures upon which they so greatly rely can not be exercised. Happily the founders are about played out, and the depreciation of 30 per cent, at which the shares of the Founders' Stock & Share Trust stands, is an evidence of the fact.

[From The Economist, July 11, 1891]

THE RATIONALE OF TRUST COMPANIES

It is not at all surprising, in view of the condition of the stock markets during the past 9 or 10 months, that the tone adopted by the chairmen of those of the trust companies which have held meetings recently has been rather apologetic than congratulatory. The promoting and underwriting business has been practically at a standstill, and the default or considerable shrinkage in the interest upon River Plate "securities," in which so many of the trust companies are interested, has naturally told very seriously upon the income divisible among the shareholders. If the directors of these undertakings have made mistakes in sinking too much of their capital in Argentine bonds and shares, as many of them undoubtedly have, they have this consolation, if their shareholders have not, that they erred to a much smaller extent than financiers of eminence, such as the Barings and the Murrietas. And the trust company directors may fairly claim that although some of *their investments* have turned out unfortunately, at all events temporarily, the soundness of the principle upon which the trusts were originally founded has in nowise been disproved. Although we have had occasion more than once or twice to criticize freely the proceedings of many of these companies, we have frankly admitted that the principle upon which the earlier formed trusts were worked possessed considerable advantages for the moderate investor. As Sir C. E. Lewis said at the meeting of the New York Municipal Trust Co. on Thursday, "You minimize to the individual proprietor the amount of loss and risk, although one can not answer for it that the directors in making investments for a trust or any other company shall always have a sufficient amount of foresight or prophetic power." This sentence really puts the matter in a nutshell. A trust properly conducted does for the small investor what the rich capitalist can do for himself, while its corporate capacity and its holding of securities enables it to borrow for fixed periods at comparatively low rates of interest, and with the money so borrowed to take up and hold various classes of stocks and shares yielding a higher rate of income. In this way trusts obtain what it is the fashion, in dealing with banking proceedings, to call a "profit margin"—that is, the difference between the amount of interest which they pay upon their debentures and the interest or dividends which they secure from the employment of the funds borrowed by them.

But with these advantages there frequently exist considerable disadvantages also. It sometimes happens, for instance, that in cases where the amounts invested are comparatively small, the income of the trust is largely, and often disproportionately, absorbed by directors' fees and other establishment charges. The shareholder, therefore, loses an undue amount of the revenue which his capital earns by leaving its investment in other hands. It is further to be remembered that in several of the companies only a small proportion of the nominal value of the shares is called up, the balance being held as security for debentures. The shareholder thus makes himself liable for what may be his whole fortune for the sake of obtaining a very moderate yield upon the amount per share actually called up. In these cases it becomes very much a question whether the game is worth the candle—whether, in fact, the investor had not better run his own risks directly than lay himself open to the chance of being ruined in company with a body of copartners. In the past, we admit, there has been no necessity to make calls to satisfy debenture holders; but who shall say that such an experience is beyond the bounds either of possibility or of probability, especially in connection with the trusts which are large holders of South American bonds and shares? The point is one which no prudent investor can afford to ignore, and it is one that may at any moment present itself in very palpable form. Again, it is to be borne in mind that in most of the trust companies, which have so far been favored with prosperity, the cream of that prosperity has been taken by the holders of founders' shares, whose interest in a given company is infinitesimal in comparison with that of the general proprietary body and who would suffer little or nothing if the concern were to collapse to-morrow. We have so frequently dealt with the preposterous inequity of the founders' share principle that we need not enlarge upon the subject now, though it is emphatically one that investors in trust companies should consider very carefully. These are some of the disadvantages of the system which have to be set against the advantages of spreading capital over a variety of securities and thus minimizing the risks to individual holders and of the capacity to borrow for fixed periods at low rates of interest.

But there are two other phases of the trust business to which it is not inopportune to direct attention. We refer to questions of publicity in the matter of investments and of valuation in regard to the securities held. Many of the companies, as our readers are doubtless aware, publish no list of the investments made by the directors, and the shareholders are thus left in the dark as to the employment of their capital. Generally speaking, a proprietor has the admitted right—he always has the equitable right—of calling at the office and examining a list of the securities held; but even this privilege, if such it can be called, is withheld from the shareholders of the Preference Securities Trust. At a recent meeting one of the shareholders stated that an application to see the list of securities had been refused, and the chairman, Mr. Stanley Dent—a gentleman who is officially connected with five other kindred undertakings—justified the refusal on the ground that the information thus obtained might be put to an improper use. A company which adopts such a policy as this is neither more nor less than a "blind pool," and it is really surprising that a body of presumably intelligent shareholders should tolerate this kind of thing for a moment. And there is the other proceeding so generally adopted, of putting the securities down in the accounts at cost price and dividing profits wholly without reference to depreciation, which may and often does represent the loss of a considerable amount of the capital. We can not but regard this as a very dangerous practice to pursue, and if evil follows from it the shareholders in the companies will have themselves to thank. We do not, of course, hold that securities should be written up or down in the balance sheets in accordance with casual fluctuations in their market prices. But when there has been a fall, such as that in Argentina and other South American securities, which there is no prospect of being retrieved for years to come, if at all, a balance sheet based upon cost prices is most delusive.

[From the Economist, January 30, 1892]

LATER PHASES OF THE TRUST CRAZE

The disclosures which have been made recently with regard to the operation of some of the trust companies established within the past few years, and more especially in reference to the results of those operations, have naturally excited a good deal of interest not only among the shareholders directly affected but throughout the proprietary bodies of kindred undertakings. In the majority of these cases a policy of secrecy has been observed in relation to the investment of the funds with which the respective boards of directors have been provided, and in some cases any inquiry by a shareholder has been treated as a sort of impertinence. In the case of the Law Debenture Corporation, for example, the "temporary investments" made by the board have admittedly been of an unfortunate character, though their selection was the result of the combined wisdom of 18 gentlemen eminent in the legal profession, for on the sale of a portion of these investments a loss of about £10,500 was incurred, and the balance could only be realized at a depreciation of about £20,000. In other words, nearly 10 per cent of the sum invested has practically disappeared, and yet a shareholder who asked for a list of the securities held was met with a blank refusal. Another phase of the trust business was brought out in the action of the Trustees, Executors & Securities Insurance Corporation *v.* Sir John Pender, in which the directors of the corporation endeavored to make their ex-colleague responsible for the loss sustained upon an investment which he introduced, as if the very fact that a security was believed in by one member of the board could excuse the other directors from making proper inquiries. When one remembers how handsomely these gentlemen are paid to perform their duties, it is not a little surprising that such an action should ever have been brought, for the case was a public admission of the fact that the directors, as a body, had neglected an essential part of their duties. But a more glaring instance of the risks run by investors in the modern trusts has been furnished by the investigations of the committee appointed in December to inquire into the proceedings of the Imperial and Foreign Investment and Agency Corporation.

The committee's report shows that the corporation was formed in November, 1889, and that a sum of about £10,000 was spent in promoting it, that sum having been provided by the founders, apart from £2,142, which figured in the first balance sheet as preliminary expenses. The subscriptions received from the public up to December 2, 1889, were disappointing, amounting to 54,904 shares of £10 each, although the directorate was what it is the fashion to call a strong one, including Messrs. A. Balfour, B. J. Bosanquet, C. C. Case, C. S. Grenfell, A. A. Huth, and F. D. Sassoon. If the directors had been wholly free to act they would probably have decided not to proceed to allotment, but the money provided by the founders having been so largely dipped into, they appear to have fallen an easy prey to the broker who represented Messrs. C. de Murrieta & Co., and who agreed on behalf of that firm to subscribe for 12,000 shares if the corporation purchased from them certain securities. The bargain was struck, and the following securities, at a cost amounting to £252,571, were brought within market quotations from Messrs. Murrieta: £15,000 Costa Rica Government "A" 5 per cent bonds; £10,000 Entre Rios Provincial Government 6 per cent 1886 bonds; £25,000 ditto 1888 bonds; £10,000 ditto Central Railway 6 per cent mortgage bonds; £10,000 ditto extension bonds; £20,000 Argentine Northern Central Railway extension 5 per cent Government mortgage bonds; £20,000 Santa Fé and Reconquista Railway 5 per cent mortgage bonds; £20,000 ditto Western Central Colonies Railway 5 per cent mortgage bonds; £20,000 Interoceanic Railway of Mexico 6 per cent debenture bonds; £15,000 ditto 7 per cent preference (1,500 shares of £10 each); £5,000 Bieckert's Brewery 5 per cent debentures; £10,000 ditto (500 shares of £20 each); £20,000 Chignecto Marine Transport 5 per cent mortgage railway debentures; £20,000 ditto 7 per cent preference (1,000 shares of £20 each); £20,000 Cordoba Central Northern Section Railway stock; £7,500 Electricity

Supply for Spain (1,500 shares of £5 each); and £5,000 Costa Rica Railway 6 per cent second debentures.

A small portion of these securities was afterwards realized at a loss, but the bulk is still the property of the corporation, and shows a shrinkage of value of £114,358 as between the price at which the purchase was made and the medium stock exchange quotation of December 31, 1891. The total depreciation on the securities held by the corporation is said to amount at current market values to £205,000, and among the investments no return is being received upon stocks which cost about £200,000. These are, of course, very serious figures, and they prove conclusively that the shareholders were well advised in obtaining a thorough investigation into their affairs. The directors' reply to the committee's report was lame and inconclusive in the extreme, resting mainly on the ground that the events of the past two years could not have been foreseen.

Without going into the further particulars of these typical cases, certain broad considerations arise which call for the careful attention of the investing public. First, as to the policy of secrecy with regard to the investments held, which is so much in vogue. The directors of the companies adopting this policy demand that implicit trust shall be placed in their financial knowledge and judgment in return investors are entitled, at least, to demand that on the part of the directors the utmost prudence and care shall be exercised in the investment of the funds placed at their disposal. Can it be said, however, that the blind confidence the shareholders are compelled to place in the directorate has been justified by its results? That, we should think, no one will ever attempt to assert. The compact has evidently been a most inequitable one to shareholders, and those of them who consent to continue to act are only too likely to come to further grief. Secondly, it is to be borne in mind that if large profits are to be earned large risks must be incurred, and if large profits are not made, the founders obtain no return upon their capital, for it is obvious to the merest tyro in financial matters that the investment of a given amount of money in a variety of sound stocks such as a trust should hold will not produce an average net income of over 7 or 8 per cent per annum, the rates usually distributable upon the ordinary shares before the founders participate in the net earnings. The existence of founders' shares is, therefore, an incentive to the directors of these companies to engage in risky, speculative business, which but from motives of self-interest would be left severely alone.

Nor is it to be forgotten that when troubles arise and provision has to be made for temporary depreciation or actual loss, it is the ordinary shareholders primarily who have to submit to whatever sacrifices may be necessary, although with the return of the good times, which we all hope for, the profits which the capital of the ordinary shareholders may earn will be largely absorbed by those in whose interest the risky business, which has produced all the mischief, has been entered into. In the case of the Law Debenture Corporation, for instance, the net balance of £21,000, instead of being distributed among the ordinary shareholders, or written off on account of the depreciation shown in the value of the securities, was carried forward, and may in the future go to swell the return upon the founders' shares. It comes to this, that the very people who have been responsible for the inability of a company to pay a dividend may in the course of time benefit from the misfortunes which they have themselves created. Again, in the case of the Imperial & Foreign Investment & Agency Corporation, the reason put forward by the board against an application to the court for a reduction of the capital, is that the reduction would "unduly benefit the holders of founders' shares to the detriment of the deferred stockholders, and would likewise be disadvantageous to the holders of preferred stock." And the claim has been put forward, that in the event of a winding up the founders would be entitled to a moiety of the reserve fund. Thus, from first to last the influence of the founders' system is a most baneful one, and the sooner it is put an end to the better it will be for investors generally.

There is one other point to be mentioned. One excuse that has been put forward for refusing to publish a list of securities is that it would be unfair to disclose to the world the fact that the debentures of one or more companies had been taken by a trust upon certain terms, and we can quite understand this desire for secrecy in the light of the circumstances which have lately been made public as to the terms upon which some of these debentures have been subscribed for. If these are to be taken as typical instances, it is scarcely surprising that both parties to the transaction should be anxious to avoid publicity. But the public interest demands that these secret issues of debentures should be impossible, for the ordinary trade creditors of the undertakings issuing them are placed in a very disadvantageous position from being unacquainted with the real position of those with whom they are doing business. We have no desire to take up an unduly pessimistic attitude in reference to the trust companies and their methods; but it is highly desirable that the people who have invested so vast an amount of money in these undertakings should recognize the risks they are running, and determine, come what may, that they will not be participators in "blind pools," no matter how eminent and experienced the directors may be who have their money to deal with. The practice of living in a "fool's paradise" is never a satisfactory one, and it is especially to be avoided where important financial interests are concerned.

[From the Economist, December 8, 1894]

TRUSTS AS COMPANY PROMOTERS

After the painful experience of the past three or four years, it might have been thought that such of the so-called "trusts" as have not been brought to utter grief would have been taught the expediency of confining themselves to their legitimate business. Their proper function is to act as the medium through which investors, by having their risks spread over a large number of well-selected securities, may realize a somewhat better and more steady income than if they acted for themselves. But the great majority of them are not content with this modest but useful rôle. Eager to earn large profits for their founders, they adventured on the perilous field of company promoting and underwriting. And the disastrous results of that policy everyone knows. It has involved the loss of millions of money, has proved the ruin of hundreds of too credulous investors, and by destroying confidence, has done much to deepen and prolong the depression of trade, from which the whole country has suffered.

It was to be hoped that the lesson thus painfully taught had been taken to heart, and that this form of financial abuse had been checked once for all.

[From the Economist, June 1, 1895]

MOVEMENTS IN TRUST SECURITIES

Since we dealt at length with the movements in the prices of the principal trust securities in our issue of September 8 last, the appreciation in market valuations, which had then been going on intermittently since the close of 1893, has considerably increased, the recovery from the lowest points touched during the period of greatest depression having in several instances varied from 20 to 40 per cent. That such an improvement should have taken place is not surprising, for, on the one hand, the prices of stock exchange securities generally have advanced to a greater or less extent; and, on the other hand, with the restoration of confidence the better-class trust stocks have come in for a larger amount of attention from the investing public. There can be no doubt that the securities of many of the trusts were quite unduly depreciated a couple of years ago, when the Winchester House scandals were forcing themselves into prominence, and when, amongst unthinking people, the very name of trust had become a byword and a reproach. That the companies which had from their commencement adhered strictly to the principles upon which they were actually as well as ostensibly formed would sooner or later live down the effects of being classed with the "blind pooling" concerns which masqueraded under the title of trust was certain, more especially in those cases where investors have the means of ascertaining from their published lists what securities the companies hold, and the kind of provision that has been made for depreciation where depreciation exists. To some extent the appreciation which has recently taken place has been due to the larger profits earned, but for the most part it is based upon a more sentimental foundation.

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Many of the trusts still persist in withholding from the proprietors particulars of the investments held, though the number is considerably smaller than it was a few years ago, and in a few cases averages of the holdings are stated without full details; but, speaking generally, there is an evident disposition among those who conduct these undertakings, even of the less-assured character, to "forswear sack and live cleanly," the rise in market valuations generally having enabled them to realize stocks of doubtful permanent value, and thus to put their houses in order.

[From the Economist, March 19, 1898]

TRUST COMPANIES

The issue of the reports of a large number of trust companies for the year 1897 affords an opportunity of reviewing the present position of these undertakings. The underlying idea of a trust company, we have always conceded, is a good one, enabling the investor to spread his risk over a large number of securities giving a good average return, and thus avoiding the risk of serious or total loss involved in placing a limited amount of capital in one or two securities not of the first class.

The majority of the trust companies formed in such numbers about 10 years ago unfortunately failed to confine their operations strictly to this class of business, but undertook the flotation or underwriting of new companies and any financial business which promised to return a large profit. These operations, however, necessarily involved serious risks, and while they did for a time give handsome results, and created a temporary boom in the trust companies' stocks, they finally resulted in heavy losses, and in the case of some of the companies at least a narrow escape from complete disaster.

The directors, where they have not been ousted from office, have gained wisdom from experience, and, for a number of years past, the companies have in nearly all cases pursued a cautious policy,

and have undertaken little business beyond that of watching their investments, and weeding out from time to time the less desirable among the securities held. That, however, has proved a very difficult task, as the stocks were, in most cases, purchased at a period of inflation, and many of them having fallen into default, the companies have made very small distributions upon their deferred stocks, such surplus revenue as they have secured being required for writing off losses or depreciation.

[From the Economist, January 8, 1910]

The object of a properly managed trust company is to minimize the possibilities of loss in investment by spreading securities more widely than a single man can spread them and by obtaining the advice of able financiers as directors. The principle itself, which amounts to a kind of mutual insurance among investors, is undoubtedly sound; but we need scarcely point out that it may easily be abused, and that the success of a trust company must depend entirely on the management. Consequently it is essential before buying shares to look back at past history, see how the profits have fluctuated and how well the dividends have been maintained, and find the sort of price and yield that the market has generally provided in former years.

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In considering the shares of these trust companies investors ought to consider very carefully the allowance made for depreciation and the relation between the realizable and nominal value of the securities. The information provided in the reports is often not full enough to allow of detailed calculations, but wherever it is possible the list of shares held should be examined closely, as one ought to understand the nature of the companies' assets before buying its stock, and apart from a scrutiny of the published list an investor can not tell into what market he is really putting his money. For this reason a trust company that publishes a list of securities is always preferable to one that does not.

[From the Economist, March 4, 1911]

The investor who wants the stability which is given to investments by distribution of the risk over a large area yet does not wish to split his capital into trifling amounts, may always fall back upon the stocks constituting the capital of the trust companies themselves. Among these he will find securities returning various rates of interest up to 6 per cent, the debenture and preference stocks mostly being securities of a high order, while some of the ordinary and deferred stocks have good prospects of appreciation, yet return yields equaled by few investments of similar standing. On the other hand, there is a special amount of risk due to the fact that everything depends on the conduct and discretion of the directors.

[From the Economist, March 2, 1912]

TRUST COMPANIES' FINANCE

A trust company in the ordinary sense is nothing more than a company formed to buy investments with its capital for the sake of the income to be obtained from them. The investor in the stock of a trust company knows that his security is not represented by one or a dozen investments, but by stocks and shares of governments, municipalities, railways, and industrials in every part of the world where capital can earn an attractive rate. To the investor of moderate or considerable means the idea of handing his money to a group of persons to invest as they think fit, paying the expenses of an office, staff, and board of directors out of the income, may seem a rather foolish proceeding when the idea of a trust may be carried out in the holdings of an individual by selecting stocks in every market which appears to offer an attractive return. This view might be justified if the individual had the whole of his time to devote to his investments, and could constantly be changing or rearranging them. The control of a number of investments involves much trouble, even apart from the necessity of "watching" them, for out of the whole official list of industrials, or, in fact, any of the 5 per cent stocks, but a small proportion have not changed their form in some way or other within 10 years or so. The policy of spreading risks which has been so undeservedly boomed in recent years has undoubtedly something to recommend it in theory, but to the ordinary investor it is practically worthless. If he spreads his risks over 10, or even 20, mediocre investments to "raise the yield," instead of buying one really safe one, he but multiplies the chance of loss of a portion of his capital. Only by purchasing a very large number with risks distributed in each particular "geographical" selection can the effects of depression in a particular portion of the globe be minimized. In a trust company of quite moderate dimensions we find that the list of investments exceeds 300 different securities. How many individuals would care to be bothered with the holding of one-third of this number?

[From the Economist, March 8, 1913]

SOME TRUST COMPANIES

A trust company is based upon the principle of specialization in the art of investment. For this object a board of directors highly competent in finance and an experienced staff should be chosen, who will devote themselves to the care of the company's funds. It might seem that by the time the cost of administration had been met and the various officials properly remunerated for their ordinary work and for special tours to distant parts of the world the return to the shareholder would not be satisfactory. But the profit of judicious investment and the loss of foolish investment are both so large that expert advice is thoroughly well worth paying for, and a good trust company can provide them at a smaller rate per cent owing to the large capital over which the total cost is spread.

The two factors of most importance in the success of one of these companies are proper management and a favorable time for starting business. The company launched in a period of high stock exchange values should be avoided, for whenever a slump comes it will be faced with a large depreciation in its investments and the rash shareholder will have the unpleasant experience of seeing big slices of his capital written off. An intending investor should scrutinize with great care the list of persons in control; he should estimate the qualifications, examine the history and success of other undertakings with which they are connected, and generally satisfy himself that they are competent to be trusted with his money. Their good management will show itself in the judicious selection of investments. The class of business is what Mr. Withers describes as "speculative investing," or the combination of high yield with capital appreciation. An investment trust searches for intrinsic values and picks up securities which have fallen out of public favor to keep them until the return of popularity. A slump in any particular market provides opportunities to these concerned who make bargain purchases to be turned over at a profit after the renewal of confidence. In the same way during trade depression the trusts will buy industrials at cheap prices, which can be realized at the height of the returning boom. They hold freely debenture, preference, and ordinary stocks, and when their fixed interest-bearing securities are depreciating they stand to gain on their ordinary capital investments. In addition to making profits in this way there is a source of revenue closed to the ordinary investor but open to trust companies in the underwriting of new issues. This is a very profitable business, for if the public subscribes in full the trust simply takes the commission, without having advanced any money, but even if the issue is a failure the company has an investment from whose cost is deducted the underwriting commission and the profit on that portion which went to the public.

Thus, if an issue is made on which the commission of underwriters is 3 per cent, and of which one-half is taken by the public, a trust company obtains its stock at six points discount on the issue price. It is often in a position to take a profit on this at once, but if it decides to retain it as an investment the book value is low. This explains the leaning of trust companies toward new issues, and it may be added that the expert advisers of these companies know far more about the prospects of a new issue than the uninstructed public is able to learn from the prospectus.

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Trust companies passed through troublesome times in the nineties, and many were compelled by the Baring crisis and other adverse circumstances to reduce their capital. Much was learned, however, from adversity, and the quality of management has improved considerably. The "canny" Scot, as was perhaps to be expected, has shown himself successful in this form of enterprise, and Scottish companies are, on the whole, in a stronger position than English ones, but the unfit are now practically eliminated.

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A trust company is not bound to make good depreciation in the value of its capital assets out of the revenue of the year before declaring dividends, but in the interests of sound finance it is clear that depreciation due to loss of earning power ought to be made good; any further depreciation allowances will enhance the dividend prospects of the company as a whole. Trust company valuations individually may perhaps teach the shareholder very little; they may, in fact, be misleading. This view was put forward by Mr. P. W. Campbell, the chairman of the largest and most successful Scottish investment company, in the following words: "I am one of those who think it rather a pity to lay emphasis on valuations made at any particular date. All such valuations are, I think, misleading when values are abnormally high, as they sometimes are, and equally misleading when values are abnormally low, as we may fairly say was the case at December 31 last." This is perfectly true. Nevertheless, the trust company shareholder sometimes has a little intelligence himself, and regular valuations show him whether a particular company's affairs are being conducted with success, especially if he is able to compare its record of a few years with those of similar concerns.

[From the Economist, May 31, 1919]

INVESTMENT TRUST COMPANIES AND WAR FINANCE

Among securities of a purely investment character, it would be difficult to find a group with a better record of stability, once the

initial effects of the outbreak of war had spent themselves, than the stocks of well-managed investment trust companies. In the first year of war, dividends in several instances were reduced, and there was a consequent fall in the prices of the ordinary stocks, but since then the dividends—though in one or two cases still below the immediate pre-war distributions, have been steadily rising, so that as compared with, say, two years ago, the prices of investment trust company ordinary stocks are generally substantially higher, though the prices of gilt-edged stocks have depreciated during the same period. The prices of the debenture and preference stocks, too, though affected by the general fall in security values, have derived support from the fact of the larger margin of security provided by the growing ordinary dividends and the better quality of the investments behind them, and, in the majority of cases, show an improvement in value.

Chief, perhaps, among the factors affecting trust companies during the war period was the treasury scheme for mobilizing American and other securities for the support of the foreign exchanges. Trust companies were particularly large holders of such stocks, and on such of them as they have lent to the treasury they have received the extra one-half per cent interest. The treasury, however, was particularly anxious to purchase outright large quantities of American stocks, and therefore negotiated for the acquisition of the greater part of those owned by the trusts. Some of the companies were not too keen on turning over a big proportion of their assets and finding fresh investments, but they have not suffered in the result. A large part of the capital previously in American stocks is now in British Government securities, on which the return is as good or better than on the American stocks, because the latter, in a good many cases, included a few nondividend payers. The effect, on the whole, was to provide the companies with free capital just at the time when it could be invested to the best advantage, whereas in normal times such conditions necessarily imply an unfavorable market for the raising of new capital by the companies.

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One word of warning may not be out of place, now that the Stock Exchange is becoming more active and, owing to the removal of new capital-issue restrictions, any kind of scheme may be put before the public so long as the capital is not to leave the country. The trust company principle is sometimes abused by individuals wishing to secure command of capital for furthering their own plans or to enable them to saddle the investor with their own "lame ducks." A successful trust company is the work of years of careful and honest investment by its directors, whereas a new one comes before the investor with no such record. Therefore an investment in the securities of any new venture simply means that money is being handed to its directors for them to employ practically as they please.

[From the Economist, April 11, 1925]

INVESTMENT TRUST COMPANIES

The advantages of the investment trust company are gradually beginning to be realized by small investors. For many years it has been a popular form of investment with those who were able to discover the favorable position in which such undertakings were placed. As Viscount St. Davids, at the recent annual meeting of the Premier Investment Co., pointed out, in referring to the successful progress made by investment concerns, "The investor in any one of these companies does not run any one overwhelming risk; there is no huge investment that might wreck the company if it went wrong. Secondly, their investments are spread about in a great number of different countries; and, thirdly, the money is put into investments of very many different kinds, the result being that the risks are successfully and widely spread. Then I should say that another reason of this success is that the investments are made by men who have learned the investment business, and are more or less experts. You may say, 'But a private individual may do just as well.' Of course, he may do just as well if he is an intelligent man and gives a great deal of thought to his investments—in fact, if he does with his own private investment what the directors of an investment trust do with other people's money. But even then the private investor has two disadvantages as compared with the investment trust. The first is that many of the best things are offered privately to the investment trusts before they are put upon the market; and the second is that, as regards a great number of securities, the investment trusts are able to get into them by underwriting, and, therefore, they get them at lower prices originally than the outside investor is obliged to pay."

EXHIBIT F

[From the New York Telegram, February 7, 1928]

STATE OFFICE USED TO HELP TRUST STOCK—"AMATEURISH" SURVEYS BY OTTINGER'S STAFF HAVE WIDE DISTRIBUTION—USEFUL IN SHARE SALES—PASS JUDGMENT ON INVESTMENT COMPANIES, THOUGH EXPERTS HESITATE TO DO SO

By Carl Randau, New York Telegram financial writer

Through nation-wide distribution of partial and amateurish surveys of investment trusts, Attorney General Ottinger has permitted his office to be used, apparently unwittingly, to tout individual security issues, an investigation by the New York Telegram reveals.

Three times in less than three months supposedly authoritative, yet vitally different surveys have been published by the State. The first contained praise primarily for one class of trusts and for particular members of that class. It also contained unfavorable observations about another class of trusts and of particular members thereof.

The second report, which was merely a slightly altered version of the first, withdrew several of the unfavorable references. The third report, published as a "supplemental" survey, contained numerous important modifications in the statements concerning the trusts which had been more or less reflected upon in the original report.

TRUSTS USE REPORTS

The first report was useful to one group of trusts in backing up their sales literature, while the third is now being used by another group.

Though broadcast with the "compliments of Albert Ottinger, attorney general, State of New York," the surveys were not actually prepared by him. Immediate supervision of the job was intrusted to Timothy J. Shea, assistant attorney general, in charge of the bureau of securities of the State department of law.

When requested by the Telegram to explain the alteration in the reports, Shea at first refused to be quoted, a position from which he relented only slightly.

"I wish the reports to speak for themselves," he said. "I am proud of them and stand by everything they contain. While I welcome a full and free discussion of the whole subject, I think I have had my say in the reports."

Shea brushed aside discussion of particular changes in the reports. It was made clear that he sees no impropriety in his action of compiling official documents in such a manner that they lend themselves to private exploitation.

He prides himself on conducting his office without regard to precedent and consequently is little interested in whether his office or other offices of the State have previously made a practice of boosting or discrediting private legitimate ventures.

ACCEPTED AS VALUABLE DOCUMENT

Shea apparently attaches little significance to the fact that the first report was much more widely distributed than the "supplemental" report. Instead he is particularly pleased to find that many State officials, economists, and writers have accepted the original report as a document of great value. Whether they all learn of the subsequent changes is not a matter of serious moment.

When all three reports are studied together there is revealed an interesting succession of modifications.

The first of the surveys appeared in the middle of November. It was followed only a few days later by a corrected version. The third came from the press early in January, but did not receive its widest distribution until the past few days.

The surveys, or at least the first of the lot, purported to represent a dispassionate and comprehensive report on the problem of the investment trust in all its varied forms. As such it was expected, among other things, to be of use to the legislature in the framing of new laws. The second and third versions bear evidence of attempts to escape from hasty conclusions in the first.

Actually the three have been described as a gossipy collection of observations, with unnecessary comments concerning the merits or demerits of individual private enterprises.

FAVORS DISCRETIONARY TYPE

In addition to passing out quite freely verdicts on individual organizations, the authors of the reports also undertook to sit in judgment on the various types of investment trusts.

Many of the bankers and legal experts of Wall Street still hesitate after years of investigation to express definite opinions on what should be the proper activities of investment trusts, nor have they been able to agree on definitions. The representatives of the State, however, displayed no such hesitancy.

Shea and his assistants, after investigating the problem a short time, expressed themselves in favor of investment trusts of the discretionary or management type as opposed to the fixed or semifixed types.

They found, among other things, that the cost of raising capital for the fixed or rigid trusts was higher; that the possibilities for loss were greater; that they afforded their promoters unusual opportunities to unload stock acquired at lower prices, and that there were many weaknesses in their trustee agreements.

This emphasis on the dangers, real and imagined, surrounding the fixed or rigid trusts was offset by no little praise of the good points of discretionary, or management, trusts.

BOTH HAVE GOOD FEATURES

Thus the State reserved its severest criticism for the trusts which largely eliminate speculative features and possible errors of management and its freest commendation for those which must forever depend on the judgment and trading ability of their executives. Actually, of course, both types have highly commendable features.

Furthermore, an effort was made to show that the United States Government favors the trading type of trust. It so happens that in 1922 a former assistant director of the Bureau of Foreign and Domestic Commerce was sent to London and Edinburgh by the Department of Commerce to investigate and report on investment trusts.

From this routine action by the Government the following far-fetched conclusion is drawn: "It would appear, therefore, that the influence of the United States Department of Commerce has been in the direction of the general management type of investment trust."

The United States Government has also sent men abroad to study and report on the Japanese beetle.

The State's report not only rendered assistance to certain discretionary trusts and interfered with the sales of fixed trust issues, but was accepted throughout the country as an important and authoritative document.

MANY ASK FOR REPORT

According to the attorney general, "a veritable flood of requests for copies of the document overwhelmed the various branches of the State department of law."

Some of the places the first report was read with avidity may be learned from the attorney general, who comments as follows on the demand:

"From the governors of the Federal reserve banks they came; from investment trust associates in every State in the Union, Canada, and England, the cradle of this form of investment enterprise; from the various securities commissions and law departments of the several States; from the universities scattered over the country, with pressing demands from the directors of their departments of economics.

"From business associations and aggregations of every character, banking, industrial, public utility, mercantile; from chambers of commerce and boards of trade in every section of the country; from editors of publications devoted to business discussions; from authors of books and dissertations upon economic subjects; from students pursuing the academic as well as economic curricula, eager for information for incorporation in theses; from legislators within and without the State, judges and magistrates; from every source they came, and in such profusion as to tax the facilities of the department of law to meet the response."

ACCEPT REPORT WITHOUT STUDY

Business and financial leaders in Wall Street also in many cases have accepted the report as authoritative, sometimes without study, simply because it was issued by the State.

But even while these reports were being sent out as representing the State's best effort in a thorough study of investment trusts the attorney general's staff was compiling a supplemental report.

The extent to which statements contained in the first report were subsequently modified will be discussed in a second article to-morrow.

EXHIBIT G

[From the New York Wall Street Journal]

UTAH INVESTMENT TRUST SECURITIES RESTRICTED—STATE COMMISSION ISSUES REPORT REQUIRING COMPLETE PUBLICITY OF PORTFOLIO AND APPROVAL OF SUBSTITUTION

The Utah Securities Commission has issued a report enumerating requirements which must be complied with before investment trust securities can be qualified for sale in Utah. Among these requirements is that whenever substitution is made in trusts of the discretionary type the trust managers must obtain the approval of the commission before they can continue the sale of shares.

A complete list is required of the holdings in the portfolio of the investment trust and statement of the current value of such holdings, together with the name of the exchange on which each holding is listed and a statement relative to the distribution of such holdings, together with the volume of trading during the last three months prior to purchase of such holdings.

A full statement of all substitutions made must be filed annually, such statement to include prices received for the security sold and the prices paid for the securities purchased, together with the dates of the transactions. This is intended to determine the efficiency of the discretionary power.

A statement showing separately the income of the trust from interest and dividends on the securities and other property held, and the income to the trust incident to trading operations also must be filed annually. Against this statement of income there must be set up a statement of all expenses incurred, including costs of administration, brokerage, and commission charges for trading; payments, if any, for supervisory service or investment advice, and taxes deducted from gross profits. These figures will determine definitely the advantage to the investor measured in income from trading profits over and above the return to the trust from interest and dividend income on securities held.

A statement is necessary showing how the price of trust shares or certificates of beneficial interest issued against the stock deposited with the trustees is arrived at. This statement must show whether a percentage or a definite sum in dollars and cents is added to the aggregate value of the deposited property to determine the aggregate selling price of the shares, or certificates, issued against each unit. This also should show the amount figured into the selling price for brokerage and commissions in purchasing the underlying stock.

Whenever a substitution is made a statement must be made setting forth consistent reasons for such substitution.

EXHIBIT H

[From the New York Wall Street Journal, December 11, 1927]

INVESTMENT TRUST RULING—CALIFORNIA ORGANIZATIONS MUST SUBMIT QUARTERLY STATEMENTS OF CONDITION, COMMISSIONER ANNOUNCES

(Special to the Wall Street Journal)

LOS ANGELES.—Organizers of investment trusts in California henceforth must agree to furnish stockholders and State corporation commissioner with financial statement every three months, according to decision of Corporation Commissioner Jack Friedlander. Financial statement which will be furnished newspapers by commissioner must show all securities bought or sold during three months' period, stocks, or other securities held at end of quarter, their market value and purchase price.

Commissioner is also considering question of underwriting fees and organization profits in connection with formation of investment trusts, number of which have increased in the past year and may decide on arbitrary fee limited to 10 per cent of amount invested. Commissioner's action is believed to be the first adopted by any State to give full publicity to operating investment trusts in effort to curb mismanagement of investors' funds.

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EXHIBIT I

[From the Wall Street Journal, November 30, 1927]

REGULATING INVESTMENT TRUSTS

(Editorial from Boston News Bureau)

It is a fine thing to lock the stable door before the horse is stolen. One might also foil the thieves by hamstringing the horse. Which is the distinguished attorney general of New York proposing to do in his suggested measures for regulating investment trusts?

As Boston has been something of a pioneer in the investment-trust field, and as New York is necessarily the leading market for investment-trust securities, Mr. Ottinger's proposals have been read with interest by Boston bankers. Briefly, he would have legislation placing investment trusts under supervision of the State banking department, liberalizing the tax laws with regard to such institutions, requiring investment trusts to deposit a minimum forfeit in New York State or United States Government bonds with the State, and limiting the power of investment trusts to issue bonds.

All this sounds like a set of regulations for a banking institution. Emphatically the investment trust is not a bank. The individual who demands extreme safety for his funds, a fair rate of return, and ready availability may satisfy his requirements through the mutual savings bank. In New York as in Massachusetts he will find an abundance of such institutions ready to serve him.

The investment trust, on the contrary, is a pool of funds to be invested on behalf of a large number of investors by a more or less expert management. It offers investors a greater degree of diversification and in general more careful supervision than they could possibly obtain with their own funds. As in any business enterprise an investment in such a venture will fluctuate in value largely in accordance with the ability of the management. Barring fraud, however, it is difficult to conceive of any such losses in an investment trust as may overtake the investor in, say, an industrial enterprise.

Discussion of the Ottinger proposals is certain to serve a good purpose. Having grown from practically nothing to $600,000,000 of assets in a few years the investment-trust movement has taken on something of the aspect of a boom. Under these conditions there is a tendency on the part of some investors to regard the investment trust as a mysterious instrument for assuring profits of 10 per cent per annum or more without risk. There is likewise a temptation to the unscrupulous to enter a field in which public interest is so keen. If public attention is directed to the fact that something more than the name "investment trust" is needed to assure character and competence in management, much good will have been accomplished.

It is a matter for congratulation that so thorough an investigator as Attorney General Ottinger has found no evidence of fraud in investment-trust financing or management to date. With the Martin Act behind him he is amply equipped to deal with it if it should arise. Since he is so equipped, is haste needed in enacting restrictive legislation? We have seen plenty of examples of the evil of overregulation by government in other fields. It would be unfortunate to hamper unnecessarily the development of so valuable an instrument of finance as the investment trust.

EXHIBIT J

[From the New York Journal of Commerce, November 30, 1927]

THE INVESTMENT TRUST SITUATION

Announcement that the joint legislative committee on banking investments will not take action upon the proposed plan of reform or regulation of investment trusts, which has been prepared by the attorney general's office, will naturally be received with some mixture of feeling by the community. Undoubtedly many bad investment trusts have been formed, and equally clearly many trusts which mean quite well have been employing unsound or objectionable tactics in the development of their business. The need of better and more honest methods is incontestable.

Two doubts, however, assail the nonpartisan observer who looks into the situation. One is the question whether the situation is ripe for legislative treatment. The incomplete and half-baked character of the recommendations recently made in the attorney general's investigation and the apparent lack of understanding of investment-trust principles which prevails in many quarters show that the principles of investment-trust management, whether understood by experts or not, have at all events not been sufficiently worked out to find acceptance on a general basis. Legislators find it hard enough to legislate carefully when there is pretty general acceptance of fundamental ideas in a given field.

The other doubt which must trouble many a mind relates to the question whether we have not already plenty of law on this subject. The investment trust is, in effect, a kind of trust company, and there is a good deal of argument in support of the view that the best supervision over our investment trusts will be that which comes from wise examination by the banking department. That the banking department has quite adequate power to do this work is the opinion of not a few persons. If so, the exercise of such power is the quickest and probably the most effective way of succeeding. It should result in compelling investment trusts to be sincere with the public, and that is the main requisite.

While doctors are thus disagreeing, the prospective investment trust patron or investor will do well to make a careful study of what he is purchasing and make up his mind accordingly.

Mr. DICKINSON of Iowa. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and Mr. SNELL having as Speaker pro tempore assumed the chair, Mr. TREADWAY, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having had under consideration the bill (H. R. 11577) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1929, and for other purposes, had come to no resolution thereon.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted—

To Mr. STEVENSON, at the request of Mr. HARE, for three days, on account of illness.

To Mr. WARREN, for one week, on account of death in his family.

FARMERS' PRODUCE MARKET

Mr. HARE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD on the bill recently passed by the House providing for a farmers' wholesale produce market by printing a statement signed by commission merchants of this city with reference to the location of that site.

The SPEAKER pro tempore. The gentleman from South Carolina asks unanimous consent to extend his remarks in the RECORD in the manner indicated. Is there objection?

There was no objection.

Mr. HARE. Mr. Speaker, under the leave to extend my remarks in the RECORD, I include the following:

FEBRUARY 13, 1928.

To the honorable COMMISSIONERS OF THE DISTRICT OF COLUMBIA:

A petition appeared in the public press of Saturday purporting to be signed by a certain group of commission merchants, in which it was stated that they have made arrangements to acquire the Patterson tract and intend to locate their business houses there when they are required to move from their present location.

This is to notify the Board of Commissioners and Congress that the undersigned commission merchants and wholesalers of perishable food products, representing the bulk of the wholesale business in market supplies of the city of Washington, do not consider the Patterson tract suitable for a wholesale-market area and do not propose to locate there.

The report to Congress made by the Board of Commissioners on December 15, 1927, under an act passed March 3, 1927, disapproved the Patterson tract with this conclusion:

"After a careful review of all available data bearing upon the subject, the conclusion has been reached that the following sites should be eliminated from further consideration, namely, * * * Eckington site No. 3 (Patterson tract).

"It is believed that the foregoing locations are not reasonably adapted to the needs of a farmers' market because of remoteness or lack of adequate transportation facilities, and also because there is no reasonable probability that there would be established adjacent to any one of these locations a general wholesale produce center."

The promoters of the plan to locate market houses on the Patterson tract state that it is their purpose "to establish a modern marketing community, with each of the related groups properly placed and with adequate provision for the future growth of all units, and we request your cooperation in creating a food handling and distribution terminal commensurate with the size and dignity of the city * * *."

It is of prime importance to the public that the wholesale market houses be located at a railroad terminal where carlot receivers of perishable freight can deliver direct from the cars and eliminate the high cost of drayage and rehandling. This would reduce the price of food sold at wholesale and at retail. Otherwise this cost must be passed on to the ultimate consumers. There are no freight rail facilities into the Patterson tract and there is no probability that there ever will be.

It is true that the Patterson tract is close to the union passenger station but the fact is that the bulk of perishable freight delivered in this city from the South, North, and West is unloaded at the terminals in southwest Washington.

Passage to and from the Patterson tract is limited to Florida Avenue, which already carries very heavy traffic movement during business hours, and if a wholesale marketing center were established there the resulting congestion on this one artery would demoralize the operation of market functions.

It is claimed that the Patterson tract is close to the center of population and close to the center of the buying public. In reference to this it is to be noted that the buyers for the market stores, hotels, restaurants, and other large users of perishable food products who regularly patronize the wholesale market houses and the farmers' market have strongly urged the concentration of a wholesale food area in southwest Washington adjacent to the rail and water terminals and the municipal fish market, where they can organize their quantity buying on the most economical and efficient basis.

It must be apparent that the dealers who have been prevailed upon to sign the petition for your cooperation in developing the Patterson tract for wholesale marketing purposes were not actuated by a sound belief that it is the logical place for this business, but rather by the hope of big profits or bonuses through the promotion of a speculative land deal which could not possibly work to the general benefit of Washington and should not have the sanction of the board of commissioners or of Congress.

It has been generally conceded that the wholesale market for perishable food, including the farmers' market, ought not be disrupted and scattered over several sections of the city, but for economy of operation should be concentrated in a wholesale food area having all necessary facilities for this purpose.

In accordance with this natural alignment it is the intention of the undersigned merchants representing all branches of the wholesale perishable food industry to locate their business houses in the approved area of southwest Washington.

W. W. Leishear & Son, by W. J. Leishear, 915 B Street NW.; Ernest M. Merrick, 939 B Street NW.; Clowe & Davis, by George W. Davis, president, 903 B Street NW.; William O. Shreve & Sons, 935 B Street NW.; Max Shapiro, 929 B Street NW.; Harry Shapiro, 908 Louisiana Avenue NW.; National Fruit Co., by Salvatore Scalco, 921 Louisiana Avenue NW.; Sam Neidorf, 901 Louisiana Avenue NW.; B. Uhlfelder, 903 Louisiana Avenue NW.; Columbia Fruit & Candy Co., per Ray Ambigi, 909 Louisiana Avenue NW.; J. A. Kaminsky, 905 Louisiana Avenue NW.; Mike Falcone, 907 Louisiana Avenue NW.; Standard Fish & Produce Co., by R. W. Weeks, 918 C Street NW.; J. B. Smith, country line; Wilson & Rogers (Inc.), 219 Tenth Street NW.; National City Dairy Co., 6 Wholesale Row; Potomac Butter Co., 308 Tenth Street NW.; D. C. Butter Co., by M. Kessler, 905 Louisiana Avenue NW.; Joseph Atkin, 205 Seventh Street NW.; Clark M. Kinney, 905 Louisiana Avenue NW.; Beatrice Creamery Co., 308 Tenth Street NW.; Carlin Creamery Co., 607 B Street NW.; William F. Huhn & Co., 201 Seventh Street NW.; H. H. Field & Co., 219 Tenth Street NW.; Gale E. Pugh & Co., 927 Louisiana Avenue NW.; Claxton Poultry Co., by D. L. Claxton, 928 Louisiana Avenue NW.; Troshinsky Bros., 927 Louisiana Avenue NW.; J. Pevenstein, 907 Louisiana Avenue NW.; Faunce & Brooke Co., 911 Louisiana Avenue NW.; W. F. White, 931 Louisiana Avenue NW.; Gus Wallerstein, 931 Louisiana Avenue NW.; The Hickman Co., 933 Louisiana Avenue NW.; Krey, Price & Co., 933 Louisiana Avenue NW.; Virginia Poultry Co., 211 Tenth Street NW.; Loudoun Produce Co., 924 C Street NW.; Manassas Produce Co., 207 Tenth Street NW.; Simons Produce Co., 210 Tenth Street NW.; James M. Beasley, jr., 915 Louisiana Avenue NW.; William F. Johnson, 914 Louisiana Avenue NW.; National Hotel Supply Co., 8 Wholesale Row.

HOWARD UNIVERSITY

Mr. TARVER. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD relative to the conference report on the Interior Department appropriation bill, acted upon on yesterday.

The SPEAKER pro tempore. The gentleman from Georgia asks unanimous consent to extend his remarks in the RECORD in the manner indicated. Is there objection?

There was no objection.

Mr. TARVER. Mr. Speaker, it may be accepted as a primary rule of logic that a proposition which is just does not require misrepresentation in its defense.

The Howard University appropriation has been acted on favorably by Congress (without statutory authority, however) for so many years that its propriety is accepted as a matter of course, and it is doubtful if many Members of the House have examined and analyzed the arguments by which it is sought to justify it.

I intend to discuss only one feature of these arguments at this time, and that, in the main, only in so far as it unjustly reflects upon my own State.

On February 28, 1928, the conference report upon the Interior Department appropriation bill was called up in the House for consideration, and the previous question being ordered immediately no opportunity was afforded for debate. In connection with that report the House passed upon the Senate amendment appropriating $390,000 for Howard University for negroes, in Washington.

Under leave granted to extend his remarks, the gentleman from Michigan [Mr. CRAMTON] has inserted in the RECORD on pages 3821–22 certain alleged statistics relative to the distribution of Federal funds appropriated for educational purposes as between whites and negroes in 17 States of the Union. It is the evident purpose to justify appropriations to Howard University upon the theory that negroes are discriminated against in the allocation of funds appropriated by the Federal Government for educational purposes, and the Southern States, with a few northern ones in which separate educational institutions are maintained for whites and negroes, are used to illustrate the contention. The alleged statistics, among other errata, contain the statement, in effect, that for "four-year collegiate education" the Federal Government appropriates $571,296 to the State of Georgia, and that of this amount the negroes receive the benefit of only $19,667.

The statistics purport to have been furnished by Howard University. Alleging their fallacy as I do, I think it advisable to call attention, first, to certain other statistics furnished heretofore by this institution to the Committee on Education, which has reported H. R. 279, intended to legalize appropriations to that university.

It should be noted in this connection that the Committee on Education, of which I am a member, in reporting H. R. 279 has relied entirely upon statements made by educators representing Howard University for its facts; and at the present session of the Congress declined to have hearings on the bill, although 12 members of the committee were new and did not participate in previous hearings, but upon the basis of 1926 hearings on a similar measure consisting, except for a short introductory statement by Mr. CRAMTON, entirely of statements by two representatives of Howard University, reported the bill favorably.

As indicating the nature of the information upon which the committee relied, I desire to incorporate in my remarks a statement addressed by me to the chairman of the Committee on Education, with attached exhibits:

Hon. DANIEL A. REED,
Chairman Committee on Education,
House of Representatives.

MY DEAR MR. REED: Under permission granted me by the committee, I desire to file the attached documents to be incorporated in the record of hearings had on H. R. 279, a bill to amend section 8 of the act incorporating Howard University.

It will appear from the record that hearings had by the committee during the Sixty-ninth Congress on H. R. 8466 and H. R. 393 were considered upon the hearing relative to the instant bill. The documents are offered with reference to statements appearing on pages 19 and 20 of the hearings had during the Sixty-ninth Congress to the effect that Congress appropriated $3,759,742 directly to schools and colleges in the South through the Department of the Interior; that of this sum only about $150,000 is allocated to colored schools; that at least $625,000 should be so allocated; and that there is discrimination against the negro in the allocation of such funds in the South. These statements were made by Doctor Durkee, president of Howard University. Incorporated therein at the top of page 20 of said hearings appears a list of universities alleged to be southern universities, with figures opposite each one alleged to show amounts received by them from the Federal Government. In this list of "southern" universities appears Delaware College, Montana and New Mexico Colleges of Agriculture and Mechanic Arts, Utah Agricultural College, Oregon State Agricultural College, the University of Arizona, the West Virginia University, two colleges in Oklahoma, as well as universities and colleges in Kentucky, Maryland, and Missouri.

To confute the charge of unjust discrimination against the negro in the allocation of Federal funds appropriated directly to Southern universities and particularly with reference to Georgia, I attach hereto:

1. A statement from Chancellor Charles M. Snelling, of the University of Georgia.

2. A statement from Hon. John J. Tigert, Commissioner of Education.

In lieu of attaching copies of the documents referred to in Commissioner Tigert's statement, I digest tables 11 and 25, pages 36 and 69, "Land-grant Colleges, 1925," which show:

17 States (including 11 States usually referred to as the South, and in addition, Delaware, Kentucky, Maryland, Missouri, Oklahoma, and West Virginia) received from Morrill-Nelson (land-grant college) funds for fiscal year ending June 30, 1925	$850,000.00
Received by colored institutions in States named	250,365.18
14 States (excluding from States above named, Delaware, Oklahoma, and West Virginia) received	700,000.00
Received by colored institutions in said 14 States	225,365.18
11 States (excluding Delaware, Kentucky, Maryland, Missouri, Oklahoma, and West Virginia from the 17) received	550,000.00
Received by colored institutions in said 11 States	204,990.18

Respectfully.

M. C. TARVER,
Member of Congress Seventh Georgia District.

UNIVERSITY OF GEORGIA,
OFFICE OF THE CHANCELLOR,
Athens, Ga., January 28, 1928.

DEAR MR. TARVER: I beg to acknowledge the receipt of your telegram of to-day and in reply would say that I have always understood that under the first Morrill Act, that of 1862, the entire proceeds came to the University of Georgia and have been used by this institution since that time, except the $2,000 per annum appropriated by our trustees to the North Georgia Agricultural College as a part payment of the salary of the president of that institution. As for the share of the negroes in the funds arising from that act, the State of Georgia agreed to appropriate the sum of $8,000 per annum for the use of the Negro race. This money first went to the Atlanta University and later on was transferred to the Georgia Industrial College at Savannah, a part of the University of Georgia system.

When the question of an equitable division of the funds from the Morrill-Nelson Act of 1890 came up, there was more or less discussion and the question was finally settled to the satisfaction of the Federal Government, the division to be made as follows: Two-thirds to the University of Georgia for the whites and one-third to the Georgia Industrial College for the negroes. This division, which was agreed to by the Government more than 30 years ago, has been adhered to since. These funds are now divided as follows: To the University of Georgia, $33,333.34; to the Georgia Industrial College, $16,666.66.

It was pointed out at the time this basis of division was agreed to, and it is true now, that the cost of providing adequate instruction for the negroes was much less than that of procuring similar services for the whites and that under the terms of the division agreed on the negroes would get equal educational facilities for the amount of money thus distributed. It was also shown that the relative demand for this type of education was much less among the negroes than among the whites and thus called for the expenditure of less money relatively.

I call your attention to the fact that the colored population of Georgia is but very little more than one-third the total population of the State, and that on population basis the present practice of division is equitable.

The State of Georgia has been appropriating for a number of years the sum of $10,000 per annum to the Georgia Industrial College. Last summer the State provided in the general appropriation act for that institution the sum of $57,666.66 for the year 1928 and a similar sum for 1929. Thus it is seen that the State has increased its appropriation for the maintenance and support of the college for negroes nearly six times the original sum. The requests of the trustees of that institution, acting in conjunction with the department at Washington, were fully met by the General Assembly of Georgia.

Trusting that this will give you the information desired and assuring you of my appreciation of your interest in the institution over which I have the honor to preside, I beg to remain,

Yours very truly,

CHAS. M. SNELLING, *Chancellor.*

DEPARTMENT OF THE INTERIOR,
BUREAU OF EDUCATION,
Washington, January 30, 1928.

Hon. MALCOLM C. TARVER,
House of Representatives, Washington, D. C.

MY DEAR MR. TARVER: The Secretary of the Interior is charged with the supervision of the administration of the funds received by the several States through the provision of the Morrill-Nelson Acts of 1890 and 1907.

The division of these funds is fairly stable and has been practically unchanged since 1918. Each State, Alaska, Hawaii, and Porto Rico receive $50,000 annually under the Morrill Act of 1890 and the Nelson amendment of 1907, totaling $2,550,000 each year. In Georgia the provisions of the act were accepted by a joint resolution approved November 26, 1890, and Section XVII provides that one-third of said fund shall be for the colored students. The division of the funds between institutions for white students and those for colored students in States where a distinction is made in the admission of white and colored students was proposed by the individual States and was approved by the Secretary of the Interior, except in the case of South Carolina. The division proposed by South Carolina was not deemed equitable by the Secretary of the Interior, and that State was not certified for any funds, until Congress enacted a law authorizing the payment of the funds, notwithstanding the objections of the Secretary of the Interior thereto.

We have forwarded under separate cover two publications (marked copies) "Land-Grant Colleges, 1925" and "Federal Laws and Rulings Affecting Land-Grant Colleges." The former shows the division of the Morrill-Nelson funds between institutions for white and colored students (p. 59); the actual funds are shown on page 36 (white) and page 69 (colored). The latter publication (pp. 5–10) gives the Morrill-Nelson Act in full with rulings.

Information on other Federal funds appropriated for the land-grant colleges should be obtained from the departments which supervise the expenditures. The Smith-Hughes funds are in charge of the Federal Board for Vocational Education and the Hatch-Adams, Smith-Lever, and other funds are controlled by the Department of Agriculture.

Cordially yours,

JNO. J. TIGERT, *Commissioner.*

It will be observed from reading the statistics furnished by the Bureau of Education that instead of $3,759,742 being received by southern colleges and universities through the Department of the Interior, as alleged by Doctor Durkee, only $550,000 is annually received by colleges and universities in the 11 Southern States in which the bulk of the Nation's colored population resides, of which $204,990.18 is allocated to negro institutions, instead of only $150,000 out of nearly $4,000,000, as charged. If Missouri, Kentucky, and Maryland are included, the proportion allocated to negro institutions is $225,365.18 out of a total of $700,000. It will be observed that the 11 Southern States referred to have a total white population according to the statistics submitted by the gentleman from Michigan [Mr. CRAMTON] of 17,029,013, and a total colored population of 8,055,760. The colored population is approximately 32 per cent of the total; the colored institutions are allotted approximately 37 per cent of Federal funds appropriated for educational purposes through the Department of the Interior, so the charge of discrimination made before the committee against Southern States in the allocation of educational funds received through that department falls to the ground.

The representatives of Howard University, abandoning as it seems the position taken by Doctor Durkee, have furnished to Members of Congress, or at least to the members of the Committee on Education, certain alleged statistics which do not purport to relate only to Federal funds for educational purposes disbursed through the Department of the Interior, but to the distribution "of Federal and State funds for four-year collegiate education and the relation of the distribution to the population in 17 States having separate schools for white and negro students." As a part of the document so furnished are included tables of alleged statistics with reference to three particular States, Georgia, Louisiana, and Mississippi, these negroes having apparently selected these States for attack by reason of the fact that the minority report on H. R. 279 is signed by Representatives from these States, the gentleman from Mississippi, Doctor LOWREY, the gentleman from Louisiana [Mr. DE ROUEN], and myself.

The gentleman from Michigan [Mr. CRAMTON] in inserting in the RECORD the statistics so furnished him omitted, for reasons with which I am not familiar, the tables dealing particularly with Louisiana and with Georgia. It is apparent, however, that the entire procedure of the preparation of the statistics has been intended to justify the pending legislation upon the theory that Federal funds appropriated to the States for educational purposes are improperly allocated as between the races in the South, and it is with the particular purpose of refuting this charge, rather than to discuss the merits and demerits of H. R. 279, that I am inserting this matter in the RECORD.

An examination of the figures inserted by Doctor Durkee in the committee hearings in 1926, to which I have heretofore referred, in view of their palpable fallacy, ought to have discouraged the gentleman from Michigan [Mr. CRAMTON] from inserting the new tables of statistics now relied upon. The source of information upon which he relies, Howard University itself, is necessarily prejudiced in the matter; and fairness, it seems, would have required that he verify the information thus procured from interested parties before inserting it in the CONGRESSIONAL RECORD, where it stands as an unjustified assault upon the South in the matter of allocating Federal funds received for educational purposes.

In discussing briefly the table appearing on page 3711 of the RECORD, it should be noted at the outset that there are no funds appropriated by the Federal Government to the States designated "for four-year collegiate education," the language used in describing the table. It should be remembered in the same connection that representatives of Howard University before the committee in 1926 stressed the function of that institution in affording professional training to negroes and that nowhere is there a Federal dollar available to the States for the professional education of whites. Since we are referring to annual appropriations, the provisions of the Morrill Act of July 2, 1862, are not involved; but from the pioneer educational act of the National Congress provided that the funds thereby provided should be devoted—

to the endowment, support, and maintenance of at least one college, where the leading object shall be, without excluding other scientific and classical studies, and including military tactics, to teach such branches of learning as are related to agriculture and the mechanic arts. (See code, title 7, section 304.)

The next legislation making Federal appropriations to the States for educational purposes was the act approved August 30, 1890, as amended March 4, 1907, known as the Morrill-Nelson Act. It authorizes the appropriation annually to each State and Territory of $50,000—

to be applied only to instruction in agriculture, the mechanic arts, the English language, and the various branches of mathematical, physical, natural, and economic science, with special reference to their application in the industries of life. (See code, title 7, sec. 321.)

The Smith-Hughes Act of February 23, 1917, authorizes annual appropriations totaling $6,000,000, administered by the Federal Board for Vocational Education—

for the purpose of cooperating with the States in paying the salaries of teachers, supervisors, or directors of agricultural subjects, and teachers of trade, home economics, and industrial subjects, etc. (See code, title 20, sec. 11.)

An appropriation of $1,000,000 per year, administered by the Federal Board for Vocational Education, is authorized under the civilian rehabilitation act, approved June 5, 1924—

for the promotion of vocational rehabilitation of persons disabled in industry. (See code, title 29, sec. 31.)

Agricultural extension work is provided for in the act approved May 8, 1914, on that subject, under the direction of the Department of Agriculture, and—

no portion of said moneys shall be applied, directly or indirectly, to * * * college-course teaching, lectures in colleges, etc.—

But to—

giving of instruction and practical demonstrations in agriculture and home economics to persons not attending or resident in said colleges. (See code, title 7, secs. 342, 345.)

If there is any other Federal appropriation to the States which might by any stretch of the imagination be denominated a fund for "higher education," it is that providing for agricultural experiment stations under direction of agricultural colleges; but Georgia's part of this, by express provision of the law itself, is paid, not to any college, but to the Georgia Experiment Station. (Code, title 7, sec. 383.)

Of what appropriations then is the $571,296 made up, which it is claimed in these erroneous statistics, inserted in the RECORD by the gentleman from Michigan [Mr. CRAMTON], is received by my State of Georgia (presumably annually, since no other time limit is given), "for four-year collegiate education," of which, it is claimed, negroes receive the benefit of only $19,667? It may be presumed that $50,000 of it is represented by the appropriations received under the Morrill-Nelson Act, "for instruction in agriculture and the mechanic arts," of which one-third is allotted to negro institutions, or $16,666.67. Let us

next suppose that the Howard University statisticians have included in the total, appropriations made under the Smith-Hughes Act for vocational education. This fund is administered by the State board for vocational education, whose plans must be approved by the Federal Board for Vocational Education, who presumably have done their duty in seeing to it that the Negro race has not been discriminated against. The opportunities provided by the fund are not in the nature of "four-year collegiate education." However, construing it as properly coming in the table inserted in the RECORD, what are the facts with regard to it?

The amount received last year by Georgia was $194,469.14. (See 11th Ann. Rept., Federal Board for Vocational Education, p. 40, table 9.)

During the year which closed June 30, 1926, the Georgia State Board for Vocational Education cooperated with 117 schools in maintaining departments of vocational agriculture. Of this number, 71 were high schools, 10 district agricultural and mechanics schools, and 35 negro schools. In these schools 137 teachers of vocational agriculture were employed whose salaries were paid in part from Smith-Hughes funds. * * * These teachers gave systematic instruction in all phases of practical agriculture to 4,956 pupils. Of this number * * * 1,184 were enrolled in the negro schools. (9th Ann. Rept., Ga. State Board for Vocational Education, p. 3.)

Why, if Georgia is to be charged with the reception of the Smith-Hughes fund for purposes of "four-year collegiate education" and "higher education" in arriving at the total of $571,296, is she not given credit in the table inserted in the RECORD by Mr. CRAMTON for the portion of these funds used in maintaining vocational agricultural instruction in the 35 negro schools out of the total of 117? If there is a seeming discrepancy in the number of negro students as compared with whites in the schools in question, it may easily be accounted for by the failure of the negro to interest himself in vocational education to the same extent as the whites. At any rate, no credit is given to Georgia in the statistical table referred to for the part of this fund expended for negroes; which might be fair enough, since that table purports to relate only to "four-year collegiate education," were it not apparent that the statistician, from some such sources as the Smith-Hughes fund for vocational education, must have procured the amounts necessary to pad the $50,000 received by Georgia under the Morrill-Nelson Act up to the $571,296 which she is charged in the table referred to with having received from the Federal Government for higher educational purposes. If charged in the table with having received it for the purposes mentioned, why not give her credit for the part of it spent on the Negro race, instead of, in effect, denying that she expended any of it for negro education?

Let us next, in an effort to get the amount received by Georgia from the Federal Government for "four-year collegiate education" up to the sum mentioned in the alleged statistics inserted in the record, suppose that the statistician considered that Federal appropriations made under the Smith-Bankhead, or civilian rehabilitation act, should be counted a part of the higher educational appropriations. If so, the sum received by Georgia last year under this act was $16,657.94. (See 11th Ann. Rep., Federal Board for Vocational Education, p. 62.) This fund, as that received under the Smith-Hughes Act, is administered by the Federal and State boards for vocational education. It is used for training and placing in employment those who are disabled from accident, disease, or from congenital conditions.

Call it higher education if you will. Its purpose is high enough. Never has there been any charge in my State that negroes have been discriminated against in the administration of this fund. Many negroes have been aided by it. The picture of one of them, a hopeless cripple for life who was taught a trade by which he might earn a living, is published on page 59 of the ninth annual report of the Georgia State Board for Vocational Education as an illustration of their work. And yet, if Georgia is charged with the Smith-Bankhead fund in making up the total of $571,296 in the statistics inserted in the record as received by her for "four-year collegiate education," she is given no credit for the use of any part of the fund for the Negro race.

The appropriations which I have detailed as to amount make a total to Georgia from the Federal Government for the last fiscal year of $261,127.08. Where the remainder of the $571,296 is supposed to have come from I have no means of knowing, nor do I, as a matter of fact, know the Morrill-Nelson, Smith-Hughes, and Smith-Bankhead funds are included in that total. The statistician is conveniently silent as to what particular funds he is referring to. But when he says that Georgia received for "four-year collegiate education" from the Federal Government $571,296, and that of this amount only $19,667 was received by negroes, he makes an unjust assault upon my State as a basis for asking an illegal and unconstitutional appropriation from Congress for the higher education, and especially professional education, of negroes. Had he said that of the $50,000 Morrill-Nelson fund, Georgia allocates $16,666.67 to the negroes, he would have been correct.

It is difficult to conceive, that, by a wild stretch of the imagination, the statistician may have included in the total mentioned by him appropriations handled by the Department of Agriculture for agricultural extension work and the Georgia Experiment Station. None of that money is spent in affording education in any college.

If it has been included in the total charged to Georgia "for four-year collegiate education," it is only necessary to point out that this money is spent in practical demonstration work among the negroes as well as the whites, and there is no way of figuring out just how much goes for the benefit of one race and how much for the other. But that is no reason for charging the State with having received it for purposes of "higher education" and having devoted all of it to whites to the exclusion of the negro.

I have discussed the table inserted by Mr. CRAMTON in so far as it relates to Federal funds received by Georgia for "four-year collegiate" or "higher educational" purposes, and the allocation of such funds as between the races. I have not discussed other items in the table, including statistics relating to other States, which I have not studied but which I have no doubt are equally fallacious with those I have discussed, and with the statistics heretofore referred to as having been submitted by Doctor Durkee at committee hearings in 1926. It may be that in view of the fact that the Howard University appropriation has been made again, as it has been for 49 years, some gentleman may wonder why I go to the trouble to insert in the RECORD with such detail the facts relating to this matter. May I say in explanation, if any be necessary, that there is too often a disposition among gentlemen to accept alleged statistics, tabulated by alleged authorities, at their face value, just as the gentleman from Michigan [Mr. CRAMTON] did in this case. I feel sure he made little or no investigation of the matter or he would not have inserted the table in the RECORD containing, as it does, an inferential, unwarranted charge against my State; and I consider it my duty, in so far as I am able, to have the true facts appear. In addition to this, there is soon to be voted on by the House H. R. 279, which proposes to legalize future appropriations to Howard University, and the gentleman from Michigan [Mr. CRAMTON] in inserting this table made reference to that fact and invited reference to the table in the same connection.

If gentlemen of the House see fit to legalize appropriations to a negro university not even under public supervision or control for the higher education, and particularly the professional education of negroes, when not a single Federal dollar is available for the professional education of whites in the various States, I can only register my objection; but I am determined that it shall not be done on the theory that Southern States, and especially my own State, treat the negro unjustly in the distribution of Federal funds received for educational purposes—at least without the true facts being made to appear.

Howard University does not even serve a nation-wide need of the Negro race so much as it serves a local need. Referring to the table inserted in the record of hearings had during the Sixty-ninth Congress, on page 15, it appears that of a total of 2,032 students, 1,952 were residents of the United States, and that of this number 598 were residents of the District of Columbia and 521 were residents of the States of Maryland, New Jersey, Pennsylvania, and Virginia, making a total of 1,119, or more than one-half, who came from a territory either comprised in or within a short distance of the District of Columbia. Ten Southern States, where the bulk of the negro population in this country resides, excluding Virginia, furnished only 395 students.

In this country there are 7,000,000 adults who can neither read nor write, and millions of children growing up to comprise part of the same class unless vigorous action is taken for their relief. I am unwilling to neglect them and at the same time vote to make appropriations not authorized by law for the professional education of negroes residing largely in and close around the District of Columbia.

STATEMENTS OF BELGIAN AMBASSADOR, EX-SENATOR LENROOT, LONDON TIMES, AND OTHERS DEALING WITH CHANG-YEN-MAO SUIT

Mr. FREE. Mr. Speaker, I ask unanimous consent to extend my remarks in the RECORD in regard to certain statements appearing on page 3664 of the CONGRESSIONAL RECORD, and following, of date of February 28.

The SPEAKER pro tempore. The gentleman from California asks unanimous consent to extend his remarks in the RECORD in the manner indicated. Is there objection?

There was no objection.

Mr. FREE. Mr. Speaker, there having appeared in the CONGRESSIONAL RECORD, of February 28, certain statements about which misunderstanding might arise with regard to Secretary Hoover's connection with a lawsuit involving certain Chinese mining properties, I felt it my duty, as Representative of Mr. Hoover's district in the Congress to make a statement with regard to the matter.

Realizing that former Senator Lenroot had occasion some time ago to investigate this case thoroughly, I asked him to address a letter to me fully explaining Mr. Hoover's connection with this matter. I herewith submit Senator Lenroot's reply, together with statements made by the Belgian ambassador and others.

These fully dispose of the matter, and I wish to add my own feeling of indignation at this sort of infamous and slanderous politics.

Senator Lenroot's letter to me is as follows:

FEBRUARY 29, 1928.

Hon. ARTHUR M. FREE,

House of Representatives, Washington, D. C.

MY DEAR MR. FREE: I am glad to respond to your inquiry about Mr. Hoover in connection with a Chinese foreign lawsuit concerning events of 28 years ago which is mentioned in the CONGRESSIONAL RECORD of February 28.

In view of the whispering slanders on this subject, some of Mr. Hoover's friends some time since asked that I make an independent investigation of this subject through the examination of the entire record. I have examined the reports of the evidence and the judgment in this lawsuit. I am able to say categorically that neither the evidence nor the judgment reflect on the character or integrity of Mr. Hoover.

On the contrary, his connection with the matter was honorable in every way and it was largely upon his testimony that the Chinese were restored to their rights.

Mr. Hoover had signed certain contracts as an agent of others at the request of all parties, but the suit was not directed at him; he was not a defendant, but a witness. There was absolutely no judgment against Mr. Hoover rendered at any time.

An examination of the actual issues in the case shows that even had he been a defendant the actual lawsuit offers no basis for criticism against him.

The suit involved a contract between Chinese, Belgian, English, and German interests growing out of a reorganization of a Chinese industrial concern in financial difficulties, and was brought in the English court. The contracts were negotiated by agents of their respective nationalities, with the assistance of the Belgian and other legations in China. Mr. Hoover was engaged as an engineer, and later, for a short time, the manager. The real question in the case was as to the binding effect of a certain memorandum signed by Mr. Hoover as agent of one of the parties together with other agents, it being provided in said memorandum made at the time of the reorganization, that a Chinese board was to participate in the management of the company and the former Chinese director general was to continue. During Mr. Hoover's administration the contract was complied with, although difficulties arose over custody of title deeds which Mr. Hoover insisted on having placed in care of a bank, in the name of the company for the protection of all parties.

Some eight or nine months after the reorganization was completed a change of stockholders' control took place. Mr. Hoover retired from the concern as manager, and the group which came into control then repudiated a portion of the contract made under the reorganization by ignoring the Chinese local board of directors. Out of the change in control a bitter quarrel grew up amongst the diverse national interests. But when the issues were finally drawn it became simply a question as to whether or not the said supplemental memorandum was to be carried out. The Chinese complainants in bringing their action naturally asked as an alternative that the original contracts be rescinded and certain properties in the reorganization be restored.

The judgment declared the memorandum to be valid and binding, dismissed all other questions except as to damages for breach of the contract, and, upon appeal, even this was dismissed as to the concern for which Mr. Hoover had acted as agent.

The case was of considerable public interest at the time and was carefully reviewed editorially in the London Times of March 2, 1905. The Times summary of the actual issues is in accord with the above. Incidentally this review does not even mention Mr. Hoover.

Unprincipled persons circulated slanderous stories on this subject a few years ago. They were investigated by an eminent firm of lawyers and exploded at that time, and now they are picked up out of the gutter for use in the present campaign. At the time Baron de Cartier, the Belgian ambassador to the United States, who at the time of the reorganization mentioned represented Belgian interests, wrote a letter vigorously denouncing these slanders upon Mr. Hoover, as did likewise the chairman of the company and various lawyers in the case. I append these statements hereto.

Sincerely yours,

IRVINE L. LENROOT.

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113 EAST SEVENTY-THIRD STREET,

New York City, December 15, 1927.

DEAR SIR: It is now over five years since some of Mr. Hoover's friends consulted me as to the best way to smoke out and punish the unknown person or persons responsible for the political whispering campaign of slander concerning his connection with the Chang Yen Mao lawsuit decided in the English courts over 20 years ago. As I advised at that time these vague insinuations hardly seemed worthy of attention, but nevertheless, at their request to my firm, then Perkins & Train, we undertook to ascertain, if possible, who was responsible for these malicious misstatements, to review the entire evidence in a litigation nearly a quarter of a century old and in which most of the litigants and attorneys were dead, and to bring the guilty parties to book by instituting both civil and criminal proceedings against them. We were unable to trace the origin of these slanders for no one had the temerity to stand up and publicly repeat the falsehoods.

Upon their recrudescence we again took up the matter, and on this occasion we communicated with all those still alive who were in any way conversant with the facts, that we might be prepared to deal with such persons if we could find them.

The outstanding fact is that Mr. Hoover was not even named as a defendant in this lawsuit—his relation being that of a witness upon whose testimony the plaintiff won his case for restitution to the office as a director, and the absurdity of these charges is that all the defendants, even after the loss of the case, have remained Mr. Hoover's friends ever since.

It might be of service if I should review the whole matter as we found it to be.

The litigation which has been made the basis of the totally unwarranted attack on Mr. Hoover arose out of a quarrel between four different groups of stock and bondholders in a coal-mining enterprise in China, of which he was at the age of 24 the engineer and for a few months the general manager. Of these different groups one combined certain Chinese and German interests and there were two separate British groups and a Belgian group, all having diverse interests.

In 1900, as a result of the Boxer disturbances, the property, which had never been very successful, was greatly damaged by the war, and the properties were seized by the Japanese, German, and Russian Governments and occupied by their troops. The interest upon the bonds was defaulted and the creditors threatened to take the property.

Mr. Hoover had been in China for about a year previously, acting as engineer for the Chinese Government, was familiar with the property and acquainted with some of the parties concerned. His engagement having been terminated by the flight of the Chinese Government, he was about to leave China to accept other employment when Mr. Detring with the cooperation of Chang, both of them realizing the potential value of the mines and being anxious to save the property, asked him to convey certain written authorization to the London representatives of the bondholders, with a view to their interesting new foreign capital and reorganizing and recovering the property from seizure.

The plan was duly undertaken, the reorganization took place, and Mr. Hoover was sent back to China as engineer to the mines. An English lawyer and a Belgian lawyer, each representing the interests of his own countrymen, were sent to Tientsin to carry out the reorganization, with which Mr. Hoover was to have nothing to do. The transfer of the assets of the original company to the new company occurred in February, 1901, at which time two instruments were executed, one a conveyance of the assets, and the other a separate "memorandum" providing for the proper representation of the Chinese in the management. Mr. Hoover signed this memorandum as agent at the request of one of the principals. Chang was given the post of director general, and a local board of directors on which the Chinese were duly represented was instituted, as provided in the memorandum, while Mr. Hoover continued for some months as manager. The Belgian interest soon after obtained control of the management, and Mr. Hoover resigned and returned to the United States.

The Belgians, after Mr. Hoover's departure, finding that they were impeded in their work by the interference of the Chinese officials, simply brushed them aside and repudiated the memorandum and the Chinese, naturally aggrieved, sent Chang to London to compel the company to recognize the memorandum and carry out its terms by which their interests were guaranteed.

The parties to the action in chancery were Chang Yen Mao and the old Chinese company, plaintiffs, versus the Moreing group and The Chinese Engineering & Mining Co. (Ltd.), controlled by the Belgian and Turner British groups as defendants. Mr. Hoover was not even a defendant in the action. The plaintiffs asked that the court declare the memorandum binding upon the defendant (the reorganized) com-

pany, or in the alternative that the conveyance of the property should be set aside with a general claim for damages. At the trial, which took place in February, 1905, Mr. Hoover was an important, if not the most important, witness, and largely by virtue of his testimony the Chinese were able to establish their contentions.

He testified explicitly that he had no idea that the memorandum would ever be questioned, that he had always insisted that it be carried out, that it had been carried out at all times while he was connected with the management, and the result of the litigation was that the court held the memorandum valid, as Mr. Hoover had always contended, and stayed all proceedings save those against the corporation defendant, holding that it alone could be held responsible for damages if any had been occasioned by the refusal of the Belgians to recognize the terms of the memorandum in China. There was obviously no judgment against Mr. Hoover.

There was nothing in the testimony reflecting upon Mr. Hoover's conduct in any way, it was through his lips that the plaintiffs substantiated their claim, and to suggest that he could possibly be responsible for a breach of contract arising after he had left the employ of the corporation is a wanton defamation.

These various groups continued four-corner quarrels over financial questions until they finally settled matters among themselves, in which Mr. Hoover had no part whatever.

As Mr. Hoover's personal honor was involved we felt that it would not be regarded as overzealous to secure assurances from those still surviving who had personal knowledge of the matter, and among them is the following letter from his excellency, the Belgian ambassador:

AUGUST 29, 1917.

DEAR HOOVER: I have been astonished to hear mis-statements with regard to your connection with the Chinese Engineering & Mining Co., which operated in the Kaiping mines during the period when I was Belgian Chargé d'Affaires in China. As such I looked after the very large Belgian interests in that enterprise and had personal knowledge of all the facts relating to the transfer of the property, some of which led subsequently to litigation in the English courts. Throughout your administration of the company's affairs, both as chief engineer and as director, you acted concededly for the best interest of all the stockholders, Chinese, Belgian, and English alike, with the highest sense of honor, and the termination of the litigation was a complete vindication of your conduct and largely turned upon your testimony. The best proof of this lies in the fact that the Belgians interested in these properties were the very men who called upon you to come to the assistance of their country in its extremity.

Very sincerely yours, E. de CARTIER.

The significance of the letter which follows is obvious from the fact that Mr. Hoover testified against the interests of the corporation of which the signer was the chairman of the board of directors:

22, AUSTIN FRIARS,
London, E. C., 2, April 18, 1923.

DEAR SIR: Referring to our interview to-day on the subject of Mr. Herbert C. Hoover's connection with the affairs of the Chinese Engineering & Mining Co. (Ltd.), which was formed in the year 1901, and the litigation in the years 1905 and 1906 arising out of it at the instance of the late Chang Yen Mao, I repeat what I then stated, viz, that I have been intimately acquainted with these matters from their inception, having been a director of the original company and being chairman of the board of directors of the present company, which was formed in 1912, and I am able to say that there is no ground for any suggestion that Mr. Hoover's conduct in relation to the matters in question has been other than of a perfectly honourable character. You are at liberty to make use of this letter in any way that you may please.

Yours faithfully,

W. F. TURNER.

The following letter is from the only surviving barrister in the case:

8, OLD SQUARE,
Lincoln's Inn, W. C., May 1, 1923.

DEAR SIR: With regard to the litigation between Chang Yen Mao and the Chinese Engineering Co. and Messrs. Bewick Moreing & Co., I was one of the counsel in the case.

The case was tried so many years ago that I can not profess to have any recollection of the details of the case, but so far as my recollection goes there was no evidence in that case which in any way reflects on the honour or integrity of Mr. Herbert C. Hoover.

I am yours faithfully,

T. R. HUGHES.

The only persons in a position to complain of Mr. Hoover's conduct or testimony in the case were the British and Belgian groups against whom his testimony lay. Yet these same British groups all of them engaged his engineering services in after years, and the Belgian group were identical men who appealed to him to undertake the relief of Belgium upon which they intrusted their lives and their own enormous contributions implicitly.

In conclusion, permit me to say that, were it not for the possible misrepresentation of this matter as filthy political defamation, it would be difficult for me to see why there was any necessity for engaging the services of my firm for the purpose of reviewing his part in this long-defunct litigation, where the ensuing operations were carried on with great profit for many years to the satisfaction of the Chinese and Europeans alike, and whereby his positive and disinterested testimony assisted in procuring justice for all parties concerned.

Faithfully yours,

ARTHUR C. TRAIN.

DEAR SIR: I have just heard to my intense surprise that some kind of an attack has been made on Mr. Hoover in the United States of America, suggesting that it was shown in the course of the lawsuit brought by Chang Yen Mao in connection with the Chinese Engineering & Mining Co. (Ltd.), that he had in some way acted improperly. This allegation is entirely unfounded.

His opponents, whoever they are, seem to have gone a long way back for this invention, considering that this refers to matters of 27 years ago. I had the conduct of the case on behalf of one of the defendants in the action, so I know all about it and have refreshed my memory by referring to the papers.

The action was brought to secure the compliance with certain agreements, chiefly the reinstatement of Chang Yen Mao as head of the Chinese board of directors. Mr. Hoover was not a party to this action—his only connection with it was as a witness.

The plaintiff claimed that he had transferred the mining property in question to the defendant company in a creditors reorganization on the faith of the provisions of a written memorandum dated February 19, 1901, which has reference, among other things, to the constitution and the board of directors of the company, and which had been signed by Chang and one of his associates named Detring and by agents of European principals. Mr. Hoover being present was asked to sign this memorandum. The main question in the action was as to whether this memorandum was binding upon the company and my clients; and as an alternative plea the plaintiff asked that if it was held not to be so binding the transfer of the property should be set aside on the ground that it had been represented to him that this memorandum was binding, and it was only in this legal sense that it was suggested that there had been any complaint.

As a matter of fact, it was proved by the evidence at the trial that this memorandum had been prepared by the Chevalier de Wouters and a Mr. White Cooper, an English solicitor representing the bondholders and reorganizers of the company with the assistance of Chang's representative, Mr. Detring, and Mr. Eames, an English barrister.

The sworn evidence Mr. Hoover gave on the subject was to the effect that this memorandum was binding and he insisted that it should be carried out, and that it was so carried out during the short time he was engaged on the property; that its repudiation was due to a subsequent change in control, the succeeding managers complaining of interference by the Chinese in proper management. Similar evidence was given by other witnesses.

It was made perfectly clear that in the opinion of all parties at the time that it was perfectly binding.

Before the trial took place there had been some question as to whether the company could give effect to some of the provisions of this memorandum which related to the management of the company, but in the course of the trial it was conceded by all the defendants that the document was in every way binding upon the defendants. Any charge therefore at once fell to the ground.

Now, this is what the judge (Mr. Justice Joyce) said about it in the course of giving judgments:

"Now, His Excellency Chang declined to execute the transfer because it did not contain any statement of the arrangements for which he had stipulated with respect to, amongst other things, the constitution and management of the new company into which the Chinese company was to be transformed * * *. Ultimately His Excellency was induced with difficulty to accede to a proposal of Mr. White Cooper that the terms, on account of the absence of which from the transfer he declined to execute, should be embodied in another document, being the memorandum I have already spoken of to be executed at the same time as the transfer.

"Under this arrangement His Excellency was assured by the representatives of the other parties to the transaction that the memorandum was, as it was expressed to be, the ruling document, and to be acted upon, or in other words, would be binding and would be carried into effect. It was upon the faith of and reliance upon these assurances that His Excellency was induced to affix his seal to the two versions of the transfer. Mr. White Cooper, a member of a firm of English solicitors, who acted for the European principals, prepared the draft of the transfer as also the memorandum and he attested their execution."

In the course of his judgment the judge went on to say:

"The memorandum is now, I may almost say admittedly, binding, as indeed it always was," and an order of the court was accordingly drawn up containing a declaration to that effect.

The case was appealed by the defendants upon question of costs, etc., and the previous judgment considerably modified in favor of the defendants; and the claim against my clients for damages was dis-

missed; but, as I said before, that was not a matter in which Mr. Hoover was concerned.

Some criticism was raised as to the forcible possession of certain bearer-title deeds at Mr. Hoover's direction when manager. As a matter of fact, these deeds were not taken by force but were rescued from corrupt use by certain Chinese officials and placed in a foreign bank and in escrow for all parties; there was absolutely nothing in it—except loyalty to the concern.

I am afraid that you will find this rather a long letter, but I have thought it best—even at the expense of brevity—to give chapter and verse for my statements, which should, in case of need, once and for all establish the preposterous character of the unwarranted insinuations which have been made against Mr. Hoover, and that there was nothing in the proceedings which in any way reflected upon his integrity or honor—quite to the contrary.

Yours sincerely,

HARRY G. ABRAHAMS,
Michael Abrahams Sons & Co.

LONDON, ENGLAND.

[Extract from London Times editorial, March 2, 1905]

Stripped of details, the point at issue in the action was simple. Chang-Yen-Mao was director general of a Chinese company formed in 1882 to work certain mines in the Provinces of Chi-li and Jehol. Fresh capital was required for the undertaking, and Mr. Detring, a German, who was a commissioner of customs in China and also a director of the company, was authorized to take measures to raise the necessary capital. He put himself in communication with the defendants, Moreing & Co., and the result was that by a conveyance of February 19, 1901, all the property of the plaintiff company was transferred to the defendant company. The contention of the plaintiff was that this transfer was executed upon the express condition that a memorandum of even date should be executed, and should be binding upon the new company. One of the conditions was that the shareholders, Chinese and foreign alike, should have equal votes; that the company should be managed by two boards, English and Chinese; that Chang-Yen-Mao should continue to be director general; and that the Chinese board should manage the property of the company in China. These provisions, it was said, had not been carried out. The new company refused to recognize them. The Chinese board was powerless; a manager was sent out who said he knew nothing of the memorandum; and the official business of the company was not transacted at Tientsin. The plaintiff sought a declaration that the terms of the memorandum were binding upon the company or that the deed of transfer should be set aside.

MESSAGE FROM THE SENATE

A message from the Senate, by Mr. Craven, its principal clerk, announced that the Senate had passed without amendment a bill and a joint and concurrent resolution of the House of the following titles:

H. R. 8227. An act authorizing the Sunbury Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Susquehanna River at or near Bainbridge Street, in the city of Sunbury, Pa.;

H. J. Res. 141. Joint resolution to authorize the President to invite the Government of Great Britain to participate in the celebration of the sesquicentennial of the discovery of the Hawaiian Islands, and to provide for the participation of the Government of the United States therein; and

H. Con. Res. 25. Authorizing the Clerk of the House of Representatives to make certain changes in the engrossed copy of the bill (H. R. 10635) entitled "An act making appropriations for the Treasury and Post Office Departments for the fiscal year ending June 30, 1929, and for other purposes."

The message also announced that the Senate had agreed to the amendments of the House of Representatives to the amendments of the Senate Nos. 12 and 46 to the bill (H. R. 9136) entitled "An act making appropriations for the Department of the Interior for the fiscal year ending June 30, 1929, and for other purposes."

ENROLLED BILLS SIGNED

Mr. CAMPBELL, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bills of the following titles, when the Speaker signed the same:

H. R. 121. An act authorizing the Cairo Association of Commerce, its successors and assigns, to construct, maintain, and operate a bridge across the Ohio River at or near Cairo, Ill; and

H. R. 5679. An act authorizing the Nebraska-Iowa Bridge Corporation, a Delaware corporation, its successors and assigns, to construct, maintain, and operate a bridge across the Missouri River between Washington County, Nebr., and Harrison County, Iowa.

ADJOURNMENT

Mr. DICKINSON of Iowa. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 3 minutes p. m.) the House adjourned until to-morrow, Thursday, March 1, 1928, at 12 o'clock noon.

COMMITTEE HEARINGS

Mr. TILSON submitted the following tentative list of committee hearings scheduled for Thursday, March 1, 1928, as reported to the floor leader by clerks of the several committees:

COMMITTEE ON APPROPRIATIONS

(10.30 a. m.)

Navy Department appropriation bill.

COMMITTEE ON AGRICULTURE

(10 a. m.)

To insure adequate supplies of timber and other forest products for the people of the United States, to promote the full use for timber growing and other purposes of forest lands in the United States, including farm wood lots and those abandoned farm areas not suitable for agricultural production, and to secure the correlation and the most economical conduct of forest research in the Department of Agriculture, through research in reforestation, timber growing, protection, utilization, forest economics, and related subjects (H. R. 6091).

COMMITTEE ON WORLD WAR VETERANS' LEGISLATION

(10 a. m.)

To amend the World War veterans' act, 1924 (H. R. 10160).

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

(10 a. m.)

To further develop an American merchant marine, to assure its permanence in the transportation of the foreign trade of the United States (S. 744).

To promote, encourage, and develop an American merchant marine in connection with the agricultural and industrial commerce of the United States, provide for the national defense, the transportation of foreign mails, the establishment of a merchant-marine training school, and for other purposes (H. R. 2).

To amend the merchant marine act of 1920, insure a permanent passenger and cargo service in the North Atlantic, and for other purposes (H. R. 8914).

To create, develop, and maintain a privately owned American merchant marine adequate to serve trade routes essential in the movement of the industrial and agricultural products of the United States and to meet the requirements of the commerce of the United States; to provide for the transportation of the foreign mails of the United States in vessels of the United States; to provide naval and military auxiliaries; and for other purposes (H. R. 10765).

COMMITTEE ON IMMIGRATION AND NATURALIZATION

(10.30 a. m.)

To amend the immigration act of 1924 by making the quota provisions thereof applicable to Mexico, Cuba, Canada, and the other countries of continental America and adjacent islands (H. R. 6465).

COMMITTEE ON THE POST OFFICE AND POST ROADS

(10 a. m.)

To amend Title II of an act approved February 28, 1925, regulating postal rates (H. R. 9296).

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. DICKINSON of Iowa: Committee on Appropriations. H. R. 11577. A bill making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1929, and for other purposes; without amendment (Rept. No. 789). Referred to the Committee of the Whole House on the state of the Union.

Mr. BURTON: Committee on Foreign Affairs. H. R. 10167. A bill to authorize the President to accept the invitation of the Cuban Government to appoint delegates to the Second International Emigration and Immigration Conference to be held at Habana, commencing March 31, 1928; without amendment (Rept. No. 790). Referred to the Committee of the Whole House on the state of the Union.

Mr. BURTON: Committee on Foreign Affairs. H. J. Res. 211. A joint resolution to amend public Resolution 65, approved March 3, 1925, authorizing the participation of the United States

Government in the International Exposition to be held in Seville, Spain; without amendment (Rept. No. 791). Referred to the House Calendar.

Mr. KNUTSON: Committee on Pensions. H. R. 10479. A bill granting double pensions to dependents under existing pension laws in all cases where an officer, warrant officer, or enlisted man or student flyer of the United States Army dies or is disabled due to aircraft accident; with amendment (Rept. No. 792). Referred to the Committee of the Whole House on the state of the Union.

Mr. FISHER: Committee on Military Affairs. H. R. 11134. A bill to authorize appropriations for construction at military posts, and for other purposes; with amendment (Rept. No. 793). Referred to the Committee of the Whole House on the state of the Union.

Mr. HAUGEN: Committee on Agriculture. H. R. 10374. A bill for the acquisition of lands for an addition to the Beal Nursery at East Tawas, Mich.; with amendment (Rept. No. 798). Referred to the Committee of the Whole House on the state of the Union.

Mr. HAUGEN: Committee on Agriculture. H. R. 11074. A bill to promote the agriculture of the United States by expanding in the foreign field the service now rendered by the United States Department of Agriculture in acquiring and diffusing useful information regarding agriculture, and for other purposes; without amendment (Rept. No. 799). Referred to the Committee of the Whole House on the state of the Union.

Mr. WHITE of Maine: Committee on the Merchant Marine and Fisheries. S. 2317. An act continuing for one year the powers and authority of the Federal Radio Commission under the radio act of 1927; with amendment (Rept. No. 800). Referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS

Under clause 2 of Rule XIII,

Mr. FROTHINGHAM: Committee on Military Affairs. H. R. 4653. A bill for the relief of Virgil W. Roberts; without amendment (Rept. No. 794). Referred to the Committee of the Whole House.

Mr. FROTHINGHAM: Committee on Military Affairs. H. R. 4935. A bill to authorize the appointment of First Lieut. Clarence E. Burt, retired, to the grade of major, retired, in the United States Army; with amendment (Rept. No. 795). Referred to the Committee of the Whole House.

Mr. FURLOW: Committee on Military Affairs. H. R. 7409. A bill to authorize the appointment of Capt. John J. Campbell, resigned, to the grade of captain, retired, in the United States Army; with amendment (Rept. No. 796). Referred to the Committee of the Whole House.

Mr. JOHNSON of Illinois: Committee on Military Affairs. H. R. 3892. A bill for the relief of George W. Sampson; with amendment (Rept. No. 797). Referred to the Committee of the Whole House.

CHANGE OF REFERENCE

Under clause 2 of Rule XXII, committees were discharged from the consideration of the following bills, which were referred as follows:

A bill (H. R. 11504) granting an increase of pension to Ella M. O'Bryan; Committee on Pensions discharged, and referred to the Committee on Invalid Pensions.

A bill (H. R. 11452) granting a pension to Mary E. Nix; Committee on Pensions discharged, and referred to the Committee on Invalid Pensions.

A bill (H. R. 11453) granting a pension to Mrs. Atwood P. Latham; Committee on Invalid Pensions discharged, and referred to the Committee on Pensions.

PUBLIC BILLS AND RESOLUTIONS

Under clause 3 of Rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. DICKINSON of Iowa: A bill (H. R. 11577) making appropriations for the Department of Agriculture for the fiscal year ending June 30, 1929, and for other purposes; committed to the Committee of the Whole House on the state of the Union.

By Mr. GARNER of Texas: A bill (H. R. 11578) authorizing the B and P Bridge Co., its successors and assigns, to construct, maintain, and operate a bridge across the Rio Grande at or near Weslaco, Tex.; to the Committee on Interstate and Foreign Commerce.

By Mr. JONES: A bill (H. R. 11579) relating to investigation of new uses of cotton; to the Committee on Agriculture.

By Mr. LEAVITT: A bill (H. R. 11580) to authorize the leasing or sale of land reserved for administrative purposes on the Fort Peck Indian Reservation, Mont.; to the Committee on Indian Affairs.

Also, a bill (H. R. 11581) to extend to the Northern Cheyenne Indians of Montana rights and benefits under certain treaties; to the Committee on Indian Affairs.

Also (by departmental request), a bill (H. R. 11582) to authorize the cancellation of the balance due on a reimbursable agreement for the sale of cattle to certain Rosebud Indians; to the Committee on Indian Affairs.

By Mr. TILLMAN: A bill (H. R. 11583) granting the consent of Congress to the State Highway Commission of Arkansas to construct, maintain, and operate a bridge across the White River at Cotter, Ark.; to the Committee on Interstate and Foreign Commerce.

By Mr. BELL: A bill (H. R. 11584) to amend the act entitled "An act for the retirement of employees in the classified civil service, and for other purposes," approved May 22, 1920, and acts in amendment thereof, approved July 3, 1926; to the Committee on the Civil Service.

By Mr. BROWNE: A bill (H. R. 11585) to establish fish-cultural station and auxiliary stations at points in the State of Wisconsin; to the Committee on the Merchant Marine and Fisheries.

By Mr. McSWAIN: Joint resolution (H. J. Res. 224) to ascertain which was the first heavier-than-air flying machine; to the Committee on Military Affairs.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ASWELL: A bill (H. R. 11586) for the relief of John Callaghan; to the Committee on Claims.

By Mr. BEGG: A bill (H. R. 11587) granting a pension to John Corbin; to the Committee on Pensions.

By Mr. CANFIELD: A bill (H. R. 11588) granting an increase of pension to Sarah E. Baker; to the Committee on Pensions.

By Mr. CROWTHER: A bill (H. R. 11589) granting an increase of pension to Catherine Van De Bogart; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11590) granting an increase of pension to Mary M. Smoke; to the Committee in Invalid Pensions.

By Mr. DICKINSON of Missouri: A bill (H. R. 11591) granting a pension to Sarah E. Hudson; to the Committee on Invalid Pensions.

By Mr. DOWELL: A bill (H. R. 11592) granting a pension to Louisa Siples; to the Committee on Invalid Pensions.

By Mr. DYER: A bill (H. R. 11593) for the relief of Arkla Lumber & Manufacturing Co.; to the Committee on Claims.

Also, a bill (H. R. 11594) for the relief of Eugene J. Spencer; to the Committee on Military Affairs.

By Mr. EVANS of California: A bill (H. R. 11595) granting an increase of pension to Joseph Lightstone; to the Committee on Pensions.

By Mr. HOGG: A bill (H. R. 11596) granting compensation to Bertha M. Freeze; to the Committee on World War Veterans' Legislation.

Also a bill (H. R. 11597) for the relief of Samuel Kelly; to the Committee on Military Affairs.

Also, a bill (H. R. 11598) for the relief of Ulysses G. Vance; to the Committee on Claims.

By Mrs. LANGLEY: A bill (H. R. 11599) for the relief of Frank M. Lyon; to the Committee on War Claims.

By Mr. MOORMAN: A bill (H. R. 11600) granting a pension to Sarah A. Nugent; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11601) granting a pension to Henry G. Day; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11602) granting a pension to Clay Franklin Pack; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11603) granting a pension to Mrs. Carey Brown; to the Committee on Invalid Pensions.

By Mr. MOORE of Virginia (by request): A bill (H. R. 11604) for the relief of J. Linwood Johnson; to the committee on the District of Columbia.

By Mr. MORROW: A bill (H. R. 11605) granting a pension to Charles S. Rawles; to the Committee on Pensions.

By Mr. REECE: A bill (H. R. 11606) granting an increase of pension to Arthur D. Warden; to the Committee on Pensions.

By Mr. REID of Illinois: A bill (H. R. 11607) for the relief of Capt. Roger H. Young; to the Committee on War Claims.

By Mrs. ROGERS: A bill (H. R. 11608) granting a pension to Bridget Fennell; to the Committee on Pensions.

By Mr. SPEAKS: A bill (H. R. 11609) granting an increase of pension to Sarah J. Rhinehart; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11610) granting an increase of pension to Sarah J. McCauley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11611) granting an increase of pension to Margaret Steadman; to the Committee on Invalid Pensions.

By Mr. THURSTON: A bill (H. R. 11612) granting an increase of pension to Eliza E. Patton; to the Committee on Invalid Pensions.

By Mr. WARE: A bill (H. R. 11613) granting an increase of pension to Molly Tarvin; to the Committee on Invalid Pensions.

By Mr. WELSH of Pennsylvania: A bill (H. R. 11614) for the relief of Oliver Ellison; to the Committee on Military Affairs.

By Mr. WILLIAMS of Illinois: A bill (H. R. 11615) granting an increase of pension to Sarah E. Davis; to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

4687. By Mr. ARENTZ: Resolution of Lyon County, Nev., Farm Bureau, urging Congress to support Navy plan for construction of an ammunition plant at Hawthorne, Nev.; to the Committee on Naval Affairs.

4688. Also, resolution of Lyon County, Nev., Farm Bureau, urging Congress to support bill introduced by Mr. ARENTZ for appropriation of funds for construction of dam and reservoir on the Schurz (Nev.) Indian Reservation; to the Committee on Indian Affairs.

4689. By Mr. BACHMANN: Petition of Madge Smith and numerous other citizens of McMechen, W. Va., protesting against the Lankford compulsory Sunday observance bill (H. R. 78); to the Committee on the District of Columbia.

4690. By Mr. BARBOUR: Petition of residents of the seventh congressional district of California, protesting against the Lankford Sunday bill (H. R. 78); to the Committee on the District of Columbia.

4691. Also, telegram of Merced County Council of Parent-Teacher Association, Livingston, Calif., urging passage of Box bill; to the Committee on Immigration and Naturalization.

4692. By Mr. CARTER: Petition of Carl G. Brown, president of the California Society Sons of the American Revolution, urging the passage of legislation increasing the allowance to each soldier of the Reserve Officers' Training Corps to $36; to the Committee on Military Affairs.

4693. By Mr. CROWTHER: Petition of residents of Schenectady, N. Y., against compulsory Sunday observance; to the Committee on the District of Columbia.

4694. By Mr. CULLEN: Resolution of Order Sons of Italy in America, No. 635, Brooklyn, requesting that October 12 be observed as Columbus Day; to the Committee on the Judiciary.

4695. By Mr. CURRY: Petition of citizens of the third California district, against House bill 78; to the Committee on the District of Columbia.

4696. Also, petition of 1,026 citizens of the third California district, protesting against the enactment of House bill 78; to the Committee on the District of Columbia.

4697. By Mr. DEMPSEY: Petition of citizens of Niagara County, N. Y., favoring the Gibson retirement bill (H. R. 7369); to the Committee on the Civil Service.

4698. Also, petition of citizens of Niagara County, N. Y., protesting against Sunday observance bill (H. R. 78); to the Committee of the District of Columbia.

4699. Also, petition of citizens of Pendleton, N. Y., favoring the Lankford Sunday observance bill; to the Committee on the District of Columbia.

4700. By Mr. EVANS of California: Petition of W. I. T. Hoover and approximately 260 others against the Navy program; to the Committee on Naval Affairs.

4701. By Mr. EVANS of Montana: Petition of Anna Solum and other residents of Kalispell, Mont., protesting against the passage of House bill 78, the Lankford Sunday observance bill; to the Committee on the District of Columbia.

4702. Also, petition of J. E. Huff and other residents of Bozeman, Mont., protesting against the passage of House bill 78; to the Committee on the District of Columbia.

4703. By Mr. FENN: Petitions of sundry citizens of Hartford and Southington, Conn., protesting against the passage of House bill 78 or any other bills relating to compulsory Sunday observance; to the Committee on the District of Columbia.

4704. By Mr. ROY G. FITZGERALD: Petition of 29 citizens of Dayton, Ohio, protesting against the passage of House bill 78, making Sunday observance compulsory in the District of Columbia; to the Committee on the District of Columbia.

4705. Also, petition of the New York Young Republican Club, approving House bill 500, for the retirement of disabled emergency Army officers of the World War, and urging that Congress take early action on the same; to the Committee on World War Veterans' Legislation.

4706. Also, petition of 56 citizens of Dayton, Ohio, requesting an increase in pensions for veterans and widows of veterans of the Civil War; to the Committee on Invalid Pensions.

4707. By Mr. FRENCH: Petition of 60 citizens of Weiser, Idaho, protesting against enactment of House bill 78, or any compulsory Sunday observance bill; to the Committee on the District of Columbia.

4708. By Mr. GALLIVAN: Petition of Patrick J. O'Sullivan, 116 West Sixth Street, South Boston, Mass., urging early and favorable consideration of House bill 9502, providing for a 30-day vacation for employees of the Post Office Department; to the Committee on the Post Office and Post Roads.

4709. By Mr. GARBER: Letter of Elizabeth Barnett, 411 East Eleventh Street, Pomona, Calif., in support of Evans bill for Civil War widows; to the Committee on Invalid Pensions.

4710. Also, telegrams of Dr. D. D. McHenry, of Oklahoma City, Okla., and secretary St. Anthony Clinical Society, Oklahoma City, Okla., in support of Robinson amendment to House bill 1; to the Committee on Ways and Means.

4711. Also, letter of J. B. Landers, secretary-manager Industrial Peace Insurance, in opposition to House bill 7759 and Senate bill 1482; to the Committee on the Judiciary.

4712. Also, letter and resolution of Hack Saw Manufacturers Association of America (Inc.), 14 Wall Street, New York, in support of House bill 11, "fair trade act"; to the Committee on Interstate and Foreign Commerce.

4713. Also, letter and resolution of Fraternal Order of Eagles, Wisconsin State Aerie, Neenah, Wis., in support of House bill 4548 and Senate bill 3027, in regard to the retirement of disabled emergency Army officers; to the Committee on Invalid Pensions.

4714. Also, petition of sundry residents of the eighth congressional district, Oklahoma, in protest to the passage of House bill 78, for compulsory Sunday observance; to the Committee on the District of Columbia.

4715. By Mr. HADLEY: Petition of sundry residents of Everett, Wash., and vicinity, protesting against the Lankford Sunday closing bill; to the Committee on the District of Columbia.

4716. Also, petition of sundry residents of Blaine, Wash., protesting against the Lankford Sunday closing bill; to the Committee on the District of Columbia.

4717. By Mr. KETCHAM: Petition of John W. Broxholm and 24 other residents of Hartford, Mich., favoring the passage of House bill 78, the Lankford bill; to the Committee on the District of Columbia.

4718. Also, petition of Nora Green and 44 other residents of Berrien County, Mich., protesting against the passage of House bill 78 or any other bill providing for compulsory Sunday observance; to the Committee on the District of Columbia.

4719. Also, petition of F. M. Thurston and 22 other residents of Sturgis, Mich., favoring the enactment of the Lankford bill (H. R. 78); to the Committee on the District of Columbia.

4720. By Mr. KING: Petition signed by C. J. Hampton, 836 South Henderson Street, Galesburg, Ill., and 25 other citizens of Galesburg, against compulsory Sunday observance; to the Committee on the District of Columbia.

4721. By Mr. LETTS: Petition of Dan MacNeill and sundry other citizens of Davenport, Iowa, protesting against the passage of House bill 78; to the Committee on the District of Columbia.

4722. By Mr. MAJOR of Missouri: Petitions of citizens of Sedalia, Mo., protesting against the passage of the Lankford bill (H. R. 78); to the Committee on the District of Columbia.

4723. By Mr. MEAD: Petition of several employees of United States Steamboat Inspection Service in support of House bill 492; to the Committee on the Civil Service.

4724. By Mr. MORROW: Petition of Club O Ten, Roswell, N. Mex., protesting against enactment of Box bill restricting Mexican immigration; to the Committee on Immigration and Naturalization.

4725. By Mr. O'CONNELL: Petition of the Thurston Fruit Co. (Inc.), New York City, opposing the passage of House bill 10362, to amend the tariff act of 1922, paragraph 770; to the Committee on Ways and Means.

4726. Also, petition of the Street & Smith Corporation, publishers, of New York City, opposing section 611 and requesting that the same be stricken from the proposed revenue act; also requesting that instead of repealing section 612 the same be clarified; to the Committee on Ways and Means.

4727. Also, petition of the North American Water Works Corporation, New York City, favoring the passage of House bill 11026, to provide for the coordination of the public health activities of the Government; to the Committee on Interstate and Foreign Commerce.

4728. Also, petition of the Dixie Post, No. 64, Veterans of Foreign Wars of the United States, National Sanatorium, Tenn., favoring the passage of the Rathbone bill (H. R. 9138); to the Committee on Pensions.

4729. Also, petition of the District of Columbia Federation of Women's Clubs, Washington, D. C., favoring the passage of the Capper-Gibson bills (S. 1907 and H. R. 6664); to the Committee on the District of Columbia.

4730. By Mr. PRALL: Resolution passed by the Friendship Council, No. 44, Junior Order of the American Mechanics of the State of New York (Inc.), Port Richmond, Staten Island, N. Y., received from Frank W. Hugi, recording secretary, relative to 3,000,000 aliens in the United States illegally and unlawfully; to the Committee on Immigration and Naturalization.

4731. By Mr. SANDERS of Texas: Petition of W. M. Stuart and several other citizens of Van Zandt County, Tex., in behalf of the Hudspeth bill to prevent gambling in cotton futures and to make it unlawful for any person, corporation, or association of persons to sell any contract for future delivery of any cotton within the United States, unless such seller is actually the legitimate owner of the cotton so contracted for future delivery at the time said sale or contract is made; to the Committee on Agriculture.

4732. By Mr. SPEAKS: Petition signed by Mr. Samuel E. Keith and some 60 citizens of Franklin County, Ohio, urging that all Civil War widows be granted an allowance of $50 per month; to the Committee on Invalid Pensions.

4733. By Mr. THATCHER: Petition of numerous citizens of Louisville, Ky., protesting against the enactment of compulsory Sunday observance legislation; to the Committee on the District of Columbia.

4734. Also, petition of numerous citizens of Louisville, Ky., protesting against the enactment of compulsory Sunday observance legislation; to the Committee on the District of Columbia.

4735. Also, petition of numerous citizens of Louisville, Ky., protesting against the enactment of compulsory Sunday observance legislation; to the Committee on the District of Columbia.

4736. Also, petition of numerous citizens of Louisville, Ky., protesting against the enactment of compulsory Sunday observance legislation; to the Committee on the District of Columbia.

4737. Also, petition of numerous citizens of Louisville, Ky., protesting against the enactment of compulsory Sunday observance legislation; to the Committee on the District of Columbia.

4738. Also, petition of numerous citizens of Louisville, Ky., protesting against the enactment of compulsory Sunday observance legislation; to the Committee on the District of Columbia.

4739. By Mr. WEAVER: Petition of sundry citizens of Haywood County, N. C., protesting against House bill 78, the Lankford Sunday observance bill; to the Committee on the District of Columbia.

4740. By Mr. WINGO: Petition of certain citizens of Pike County, Ark., indorsing increased pensions for veterans of the Civil War and their widows; to the Committee on Invalid Pensions.

4741. By Mr. WOOD: Protest of M. R. Lowenstine, of Valparaiso, Ind., against the enactment of Senate bill 1572; to the Committee on the Post Office and Post Roads.

4742. Also, petition of sundry citizens of Lake County, Ind., protesting against an increase of the present quotas of immigrants to this country; to the Committee on Immigration and Naturalization.

SENATE

THURSDAY, *March 1, 1928*

The Chaplain, Rev. Z. Barney T. Phillips, D. D., offered the following prayer:

Almighty God, the fountain of all wisdom, who knowest our necessities before we ask and our ignorance in asking, have compassion, we beseech Thee, upon our infirmities, strengthen us, we pray Thee, with Thy Holy Spirit, and daily increase in us Thy manifold gifts of grace, the spirit of wisdom and understanding, the spirit of counsel and knowledge and true godliness. And those things which for our unworthiness we dare not and for our blindness we can not ask, vouchsafe to give us for the worthiness of Thy Son, Jesus Christ our Lord. Amen.

The Chief Clerk proceeded to read the Journal of yesterday's proceedings, when, on request of Mr. CURTIS and by unanimous consent, the further reading was dispensed with and the Journal was approved.

MESSAGE FROM THE HOUSE

A message from the House of Representatives, by Mr. Chaffee, one of its clerks, announced that the House had passed the following bill and joint resolutions, in which it requested the concurrence of the Senate:

H. R. 9040. An act to establish the standard of weights and measures for the following wheat-mill, rye-mill, and corn-mill products, namely, flours, semolina, hominy, grits, and meals, and all commercial feeding stuffs, and for other purposes;

H. J. Res. 192. Joint resolution to provide for the coinage of a medal in commemoration of the achievements of Col. Charles A. Lindbergh; and

H. J. Res. 223. Joint resolution making an additional appropriation for the eradication or control of the pink bollworm of cotton.

CALL OF THE ROLL

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The clerk will call the roll.

The legislative clerk called the roll, and the following Senators answered to their names:

Ashurst	Ferris	La Follette	Sheppard
Barkley	Fess	McKellar	Shipstead
Bayard	Fletcher	McLean	Shortridge
Bingham	Frazier	McMaster	Simmons
Black	George	McNary	Smith
Blaine	Gerry	Mayfield	Smoot
Blease	Gillett	Metcalf	Steck
Borah	Glass	Moses	Steiwer
Bratton	Gooding	Neely	Stephens
Brookhart	Gould	Norbeck	Thomas
Broussard	Greene	Nye	Tydings
Bruce	Hale	Oddie	Tyson
Capper	Harris	Overman	Wagner
Caraway	Harrison	Phipps	Walsh, Mass.
Copeland	Hayden	Pine	Walsh, Mont.
Couzens	Heflin	Pittman	Warren
Curtis	Howell	Ransdell	Waterman
Cutting	Johnson	Reed, Pa.	Watson
Dale	Jones	Robinson, Ark.	Willis
Deneen	Kendrick	Robinson, Ind.	
Dill	Keyes	Sackett	
Edge	King	Schall	

Mr. GERRY. I wish to announce that the Senator from New Jersey [Mr. EDWARDS] is necessarily detained from the Senate on account of illness in his family.

The VICE PRESIDENT. Eighty-five Senators having answered to their names, a quorum is present.

HOUSE BILL AND JOINT RESOLUTIONS REFERRED

The following bill and joint resolutions were severally read twice by their titles and referred as follows:

H. R. 9040. An act to establish the standard of weights and measures for the following wheat-mill, rye-mill, and corn-mill products, namely, flours, semolina, hominy, grits, and meals, and all commercial feeding stuffs, and for other purposes; to the Committee on Agriculture and Forestry.

H. J. Res. 192. Joint resolution to provide for the coinage of a medal in commemoration of the achievements of Col. Charles A. Lindbergh; to the Committee on the Library.

H. J. Res. 223. Joint resolution making an additional appropriation for the eradication or control of the pink bollworm of cotton; to the Committee on Appropriations.

ENROLLED BILLS SIGNED

The VICE PRESIDENT announced his signature to the following enrolled bills, which had previously been signed by the Speaker of the House of Representatives:

H. R. 121. An act authorizing the Cairo Association of Commerce, its successors and assigns, to construct, maintain, and operate a bridge across the Ohio River at or near Cairo, Ill.; and

H. R. 5679. An act authorizing the Nebraska-Iowa Bridge Corporation, a Delaware corporation, its successors and assigns, to construct, maintain, and operate a bridge across the Missouri River between Washington County, Nebr., and Harrison County, Iowa.

PETITIONS AND MEMORIALS

Mr. WALSH of Massachusetts presented memorials of sundry citizens of Boston and other municipalities in the State of Massachusetts, remonstrating against the passage of the so-called Brookhart bill (S. 1667) relative to the distribution of motion